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# FEDERALISM TODAY

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# FEDERALISM TODAY





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# FEDERALISM TODAY

WILLIAM A. JUMP—I. THOMAS MCKILLOP  
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## PREFACE

These four lectures on "Federalism Today", presented in Washington during April and May 1969, were sponsored by the Graduate School of the U. S. Department of Agriculture. They continue the outstanding series of William A. Jump—I. Thomas McKillop Memorial Lectures in Public Administration established by the Graduate School in 1952.

Leading statesmen, scientists, and scholars have contributed to this lecture program through the years.

We wish to thank both the speakers and the following members of the planning committee:

William G. Colman (Chairman), Executive Director, Advisory Commission on Intergovernmental Relations; Charles A. Byrley, National Governors Conference; William D. Carey, Arthur D. Little, Inc.; William B. Prendergast, Assistant to the Secretary, U. S. Department of Defense; Joseph M. Robertson, Assistant Secretary for Administration, U. S. Department of Agriculture; Bernard Sisco, Deputy Assistant Secretary for Administration, U. S. Department of Health, Education, and Welfare; James L. Sundquist, Senior Fellow, Brookings Institution; C. D. Ward, Assistant to the Vice President of the United States; Lowell H. Watts, Federal Extension Service, USDA; and D. Richard Wenner, formerly Executive Director, National Association of Community Development.

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Lowell H. Watts and Jean Brand of the Federal Extension Service, USDA, were responsible for the editing.

JOHN B. HOLDEN  
*Director, Graduate School*



**CLIFFORD M. HARDIN**, appointed 17th Secretary of Agriculture in January 1969, has had a distinguished career in university administration, research, international agriculture, and economics. He was Chancellor of the University of Nebraska (1954-69), and is a former dean of the school of Agriculture at Michigan State University. Secretary Hardin earned his Ph.D. from Purdue in 1941. He is a member of the National Science Board, former director of the American Council on Education, and past chairman of the Omaha branch of the Federal Reserve Bank of Kansas City.

## FEDERALISM TODAY

### INTRODUCTION: Clifford M. Hardin

There are many reasons why I am pleased, and why I feel privileged, to greet you as we open this lecture series on FEDERALISM TODAY. First, it is highly appropriate that these lectures should be named for two outstanding men who devoted much of their lives to improving the quality of service in the Federal Government—William A. Jump and I. Thomas McKillop.

Second, I am deeply impressed by the quality of the lecturers who will present papers.

And third, the theme for these discussions, “Federalism Today,” is a timely one.

It is almost two centuries since our experiment in Federal democracy began. This approach to government, as we all know, was a great innovation—so much so that there were many—not only across the seas but even within our infant Nation’s own borders—who thought it could never really succeed.

Today, however, the American form of government—the American experiment—having survived the tests of time and many crises, stands as a unique contribution to the varied systems which man has devised to govern himself.

Many statesmen, philosophers, and writers have attempted to expose the heart of the American system and to explain its success. Woodrow Wilson said he believed in it “because it

releases the energy of every human being.” Theodore Parker said the American idea was “the idea of freedom.” A President’s Commission on Civil Rights said, “The central theme in our American heritage is the importance of the individual person.

And the English writer, G. K. Chesterton, paid tribute to it as “an attempt (like that of a jolly hostess) to bring the shy people out.”

All these observers agree that individual freedom and the preservation of the rights and dignity of the individual citizen are at the heart of our governmental system.

To insure this freedom and the rights of individuals, the Founding Fathers, as we all know, wisely provided for a separation of powers, together with a system of checks and balances. Power is divided among the three major branches of Government at the national level as well as among the States, the national and local units of government.

And to insure continuity of government, the Founding Fathers designed a system that would also have the flexibility to adjust to changing times.

By the year 2000, our population may soar to 300 million. Where will the added 100 million make their homes—in the already overcrowded inner cities, in the sprawling suburbs, or in new, clean, fresh towns and rural communities?

What will be the problems of feeding and housing this increased population, of employing them, educating them, transporting them, protecting their health?

How shall we go about preserving the environment?

I have no doubt but that somehow we shall solve these problems and that the standard of living of the average American



in the year 2000 will be as far above our average standard today as we today are above the standard of 1900.

But I do not minimize the challenge that the demands of the next 30 years will pose for our system of government. We shall need to devise new ways of living and working together at the national, regional, State, and local levels of government.

This Administration is concerned and is actively seeking new solutions to the problem of maintaining and preserving the rights and dignity of the individual in today's fantastically complex and rapidly changing mass society. Within the past few weeks, President Nixon appointed a distinguished council to make recommendations on the reorganization of the Government. This council is headed by Roy L. Ash, President of Litton Industries, Inc. Serving with Mr. Ash are Dean George Baker, Harvard Graduate School of Business; the former Governor of Texas John B. Connally; Frederick R. Kappel of American Telephone and Telegraph; Richard M. Paget, a partner in the firm Cresap, McCormick and Paget.

Major reform, major reorganization, are needed. Max Lerner has written, "Of the many things we have done to democracy in the past, the worst has been the indignity of taking it for granted."

This lecture series has been designed to focus attention and creative thought on intergovernmental affairs and problem-solving. By addressing our thoughts to this topic today we increase our chances for an even more effective federalism and quality of life for tomorrow.



**ROBERT E. MERRIAM**, formerly Deputy Director, Bureau of the Budget (1958), and Deputy Assistant to the President (1958-61), is now president of University Patents Incorporated of Illinois. With an M.A. from the University of Chicago (1940), he is author of books dealing with American history, government, and political science. These include *Going Into Politics: A Guide for Citizens*, and *The American Government: Democracy in Action*.



**SENATOR CLIFFORD P. HANSEN**, a former Governor of Wyoming, serves on the Senate Committee on Commerce and the Committee on Interior and Insular Affairs. A graduate of the University of Wyoming (1934), with an honorary LL.D. (1965), he has served as president and member of the University of Wyoming Board of Trustees. He is past chairman of the National Livestock Research and Advisory Committee to the Secretary of Agriculture.

**SENATOR LEE METCALF** of Montana previously served his home State as legislator, Assistant Attorney General, Associate Supreme Court Justice, and as Congressman for eight years. First elected to the United States Senate in 1960, he now serves on the Interior and Insular Affairs and Government Operations committees of the Senate. Senator Metcalf has been cited for distinguished service to conservation by several national groups.

## FEDERALISM IN TRANSITION: THE DYNAMICS OF CHANGE AND CONTINUITY

Robert L. Merriam

I speak to you today from the protected vantage-point of an "Olympian" observer, watching the kaleidoscope of events unfold but without any day-to-day responsibility at any one of the base points of our Federal system. However, having been involved rather intimately at all levels of government, from precinct worker to Presidential Assistant (with even a short stint at the UN), I hesitantly lay claim to some understanding of the problems confronting the widely diverse units of government and the political power structure supporting them.

The problem of dynamic federalism is nothing more than creating a rational structure to find and channel money, through the efforts of human beings, to perform functions uniquely assigned to the public sector for the betterment of all. With this objective, we become committed to the proposition—and will continue ever more rapidly, I hope—that even in our complex modern society we can evolve a "government of, by and for the people."

A "new" federalism can have meaning only in this context. It requires the meshing of the often-ponderous wheels of government, with all its lethargy and built-in resistance, so as to rationalize a governmental structure which provides a better life for all our people. Such a structure can only be erected.

through the imaginative use of governmental powers, an enormous amount of bone-crunching, and the destruction or diminution of some powerful vested interests. I would hope we are aware of and up to coping with the enormity of the problem, because no longer can we afford the luxury of an inefficiently operating Federal system. The problems of race and transportation and air pollution and poverty and jobs and schools and a decent place in which to live can only be attacked intelligently on a coordinated basis.

But let us step back a moment for a quick view in perspective. In a sense, the title of this lecture is a misnomer because federalism always has been in transit. As Hamilton reminded us in his concluding essay in the *Federalist Papers*, in quoting the 18th century philosopher David Hume:

“To balance a large state or society, whether monarchical or republican, on general laws, is a work of so great difficulty, that no human genius, however comprehensive, is able, by the mere dint of reason and reflection, to effect it. The judgments of many must unite in the work; experience must guide their labor; time must bring it to perfection; and the feeling of inconveniences must correct the mistakes, which they inevitably fall into, in their first trials and experiments.”

The basic premise of the American Federal system is that a strong national government should unify and coordinate the national purposes and endeavors, supplemented by vigorous, autonomous State and local units exercising primary governmental functions in their respective spheres. The States, which out of necessity formed the Union, proposed in the Constitution a way to establish this system.

From the simple Constitutional division of powers between Nation and States (“The powers not delegated to the United States by the Constitution, nor prohibited by it to the States,



are reserved to the States respectively, or to the people”), our path begins. We have been in transit ever since, but the forms of change themselves have changed.

1. Judicial change has played its forceful role in cycles, from the outset. The early decisions of the Marshal-dominated Supreme Court struck down State legislation considered contrary to the Constitution, broadly interpreted the “implied” powers of the National Government, and upheld the supremacy of the National Government in interstate commerce. The latest phase of the judicial cycle from school segregation to one-man, one-vote decisions, re-emphasizes judicial change once again.

2. National aid to the States commenced slowly with the land grants, to the present \$25 billions spread across 160 major programs based on more than 400 separate congressional authorizations, and administered by 21 Federal agencies with more than 150 Washington-based bureaus and 400 regional and field offices.

3. One problem was “solved” by war, with 617,000 Americans slain in the process of resolving supremacy of national constitutional power, and with widespread constitutional change resulting.

4. New techniques adapted into law have been a vital part of the transition. Most notable undoubtedly has been the income tax (which like many of you, I suspect, occupied your speaker late into last night).

5. Strong Presidents, beginning with a reluctant Jefferson (whose Louisiana Purchase stretched the Constitution) through the two Roosevelts battling first industrial monopoly and then collapse, dramatically shaping the “new” federalism.

6. Weak States and proliferating local governments and problems have been a significant negative force at work: 30,000 governments, including 3,049 counties; 35,000 plus

municipalities, towns, and townships; 20,000 independent school districts; and another 20,000 special districts for water supply, sewerage, road building and the like; all now receiving \$25 billions in Federal aid and an additional \$100 billions in local tax monies.

But even the tempo of change is changing. As we peer ahead toward the fast-approaching 200th anniversary of our Federal system and the 2000th calendar year, we see the geometric progression of the knowledge, technology, industrial, and population explosions, all descending upon us. We see by the year 2000 a Gross National Product of \$2 trillion (in 1969 dollars), a doubled population (but perhaps finally leveling off), a continued industrial centralization (Anti-Trust Division notwithstanding), and a corresponding urban agglomeration. This is the dynamics of change we must now cope with.

But all of us are aware of both the trends and the problems. Commissions galore have dramatically highlighted them. What we really must ask is how we organize for the tasks ahead. What are the practicalities and realities of political life? Should we junk the Federal system and place all power and responsibility in the hands of the National Government? Should we shift vast powers back to the States and localities? What can we do about a system which at the moment is neither adequately meeting current needs nor planning for future problems?

Going from generalities to specifics is never easy. This is the task to which most of you in this audience so capably devote yourselves daily. The key is to place into broad context, with defined purpose, these daily actions and decisions.

I'd like to start with some general observations about what I will call "the spirit of government" needed in the years ahead.

From the Federal Government it means willingness at both the executive and legislative levels to undo the "papa knows best" concept. In the States it means somehow bursting the chains of

parochialism and agrarianism so prevalent in many of our State legislatures. And at the local level it means a willingness to really face up to, and to batter head-on, the dual, but now interrelated, problems of suburb vs. central city and black vs. white.

The “new” federalism will require a re-examination of the purposes of governing.

For example, I have long thought that both legislative and executive groups at all levels of government tend to occupy far too much of their all-too-little time immersed in their own bits of trivia. A Congress which passes more private bills than public laws, a State legislature which occupies too much of its time with administrative minutiae, and a city council which worries more about driveway permits than the quality of educational standards in the city, all contribute to the breakdown of effective government. The same may be said for many executive actions.

Having noted the generalities, I suggest that we look at recent trends in federalism. A few bright spots illuminate an otherwise rather gloomy horizon. In 1953 President Eisenhower sponsored, and the Congress approved, the first formal governmental review of our Federal system since the Constitutional Convention. While in terms of results it could be said that a mighty effort created a mouse, a start was made. A later Federal-State Action Committee perhaps put to rest for all time the notion that some neat sorting out of governmental functions could be made. But this Committee did begin an important dialogue which in part contributed to the formation in 1959 of the Advisory Commission on Intergovernmental Relations. It was the first statutory “mixed” commission of the Federal, State, and local officials with public members. Its monumental studies offer us a continuing glimpse into the future. As its last annual report noted:

“At the beginning of 1969, the Nation continues its search for a New Federalism—dedicated to balance; designed to cor-

rect structural, functional, and fiscal weaknesses; and rooted in a vital partnership of strong localities, strong States, and a strong National Government. Federalism, after all, seeks to enhance national unity while sustaining social and political diversity. The partnership approach is the only viable formula for applying this constitutional doctrine to late Twentieth Century America. Yet, this approach can succeed only if all of the partners are powerful, resourceful, and responsive to the needs of the people. The alternative is a further pulverizing of State and local power, and the consequent strengthening of the forces of centralization.”

The Intergovernmental Cooperation Act of 1968 potentially is another significant development at the Federal level. First of all, it requires the setting up of a better communications and information service between the National Government and the States regarding grants-in-aid requested or approved for agencies within the States. It also authorizes Federal agencies, at cost, to provide specialized or technical services to requesting State or local governments.

Title IV of this Act has far wider implications. It provides that:

“All viewpoints—national, regional, State, and local—shall, to the extent possible, be fully considered and taken into account in planning Federal or federally assisted development programs and projects. State and local government objectives, together with the objectives of regional organizations, shall be considered and evaluated within a framework of national public objectives, as expressed in Federal law, and available projects of future national conditions and needs of regions, States, and localities shall be considered in plan formulation, evaluation, and review.

“To the maximum extent possible, consistent with national objectives, all Federal aid for development purposes shall be



consistent with and further the objectives of State, regional, and local comprehensive planning. Consideration shall be given to all developmental aspects of our total national community, including but not limited to housing, transportation, economic development, natural and human resources development, community facilities, and the general improvement of living environments.”

It is probably fair to say that when and if fully implemented, this represents the biggest “carrot” dangled before State and local governments to date. Although the Act does not mention the term, it potentially could add up to nationwide planning. But the problems of implementation remain to be solved. And the realization that such legislation is required speaks for itself.

There are other promising developments. The President has formed an Urban Affairs Council, and has chosen as his assistant in these matters an unusually knowledgeable person, Mr. Moynihan. This is a culmination of increasing Cabinet-level concern with State and local affairs in recent years. The increased emphasis on regional councils of Federal Government officials, and even the designation of common regional boundaries for at least some Federal agencies are other actions long overdue. As President Nixon observed in taking these steps:

“Greater decentralization should contribute to closer cooperation and coordination between Federal agencies and State and local governments since decision-making will be closer to the non-Federal agencies directly responsible for delivery of services.”

Decentralization, however, too often is discussed largely in negative terms, in the context of minorities or poverty groups, or as a substitute for “lack of confidence” in government.

At the State and local levels still-feeble stirrings are noted. I am privileged at the moment to be co-chairman of one such

effort in Illinois—The Commission on Urban Area Government. Our task is to present to the Governor, legislature, and a pending Constitutional Convention recommendations relating to structure, functions, and financing of the State and its local governments in the nine metropolitan regions of Illinois. Similar studies in New York, Minnesota, Maryland and elsewhere have met with varied results, some disastrous. A common lesson from these studies is that better coordination of government services requires simultaneous, or at least parallel, action at all levels of the Federal system.

Intergovernmental compacts and less formal cooperation have also been utilized, sometimes successfully. Cooperative actions by local governments within an area, “metro” annexation, consolidation of city and county, all have been tried, again with scattered success. But progress has been minuscule compared with the mounting needs for a coordinated government response to the problems of polluted air, miserable transportation, segregated living, inadequate housekeeping services, and aging communities.

Where, then, are we heading? How do we get there? Who will take the lead in mounting the effort to get us there? I start my answer with a few basic premises:

1. Our Founding Fathers did not want, nor do we, a monolithic governmental structure with all policies and implementation directed from one place.
2. The Federal system as written and developed is both desirable and workable, but requires drastic restructuring.
3. The answer is not that of vertical rearrangement (i.e., returning this or that function to one level of government or the other), but rather of horizontal readjustment (i.e., combining responsibilities of various levels of government to focus on specific problem areas.)

To carry out these objectives, I suggest a "National Urban Plan" which by supplying central goals and objectives may be the only chance we have left to achieve effective local decision-making. The steps are these:

*First*, the President should develop and present to the Congress a "National Urban Plan" for dealing with our urban problems in their totality. This Plan should clearly delineate areas of appropriate national interest, make recommendations for an allocation of resources to meet these needs, and propose the legal, organizational, and fiscal means for achieving the objectives.

It is important that the national interest in our Federal system, its workings, and the urban problems now straining its workability, all be the object of national attention. The dialogue must be focused on the whole problem, not on isolated pieces which have been the subject of discussion and legislation in the past.

The fiscal dividend which we all hope will present itself shortly makes the timing of this endeavor most urgent. Lacking an overall plan and recommended priorities in allocating resources, the Congress again will be faced with piecemeal decisions in which special interests are likely to score more heavily than their claims should allow.

The Urban Affairs Council provides a vehicle for developing a total urban plan for the President's consideration, perhaps assisted by the Advisory Commission on Intergovernmental Relations and other interested organizations. When we realize that urgent domestic needs (heavily in urban areas) demand annual expenditures (at today's prices) of tens of billions of dollars (*Fortune* magazine recently totaled up \$57 billion required annually for education, medical care, welfare reforms, crime control, inner cities, suburban sprawl, eyesores, mass transit, and pollution control), the enormity of the problem is magnified.

*Second*, to focus attention on the "National Urban Plan" and to assist in its implementation, the President should exercise vigorous leadership and the moral suasion which only he can bring to bear, to rally widespread public support for his Plan. He should convene special sessions with the Conference of Governors and other organizations of State and local officials to explain his Plan and elicit support for it. He particularly should urge the Governors to put their own machinery in the best working order (for without adequate State and local organization and planning, who will receive and implement the Plan?). The President also must seek the support of the business community, the labor movement, church and civic leadership, the academic community, and, of course, the general public.

The enormity of this "selling" job is only exceeded by the size and gravity of our urban problems. Only with a dramatic and comprehensive attack on the problem can sufficient enthusiasm ever be generated to bring it to reality. But we have attacked with vigor and success other great challenges to our way of life, from war to depression. Who is to say we should not try here?

*Third*, the Congress should enact overall guidelines for restructuring our legal, organizational, and fiscal arrangements to implement this national plan. The antiquated grant-in-aid program must be converted to a new fiscal aid or sharing plan with the minimum of niggling restrictions and a concentration on matters of overriding national interest, such as integration, minimum educational standards, and balanced services. The "carrot" of Federal funds must be more aggressively used to require not only area-wide planning but also area-wide coordination of local governmental functions. And along with this, the Congress must require even further consolidation and coordination of Federal executive agencies to match the impositions on the local communities.

A few examples are in order of what might be included in this "National Urban Plan." Interchangeability among government

personnel at all levels could easily be expedited by a nationally organized or sponsored recruiting and retirement program. We could have an integrated national management of public finances through creation of a central banking mechanism for financing long-term capital investments at the various levels of government, developing uniform standards for local taxing practices, and a series of block grants (or a tax) *not* earmarked for special purposes. A "national support budget" could set overall levels of expenditures required to put certain defined minimum levels of public service into effect at various echelons of government. Criteria for local public transportation which measure the cost of new expressways against the cost of mass transportation could be developed. Standards for conservation or urbanized land areas and new town development could be formulated. Minimum educational standards could be evolved. Even a plan to break up the ghettos could be considered.

Bitter medicine you say? But the disease is virulent. Impractical? Not politically feasible? Too dangerous; likely to result in domination by the National Government?

Well, first of all, the National Government in thousands of ways, in hundreds of thousands of words written into regulations, and in the form of billions of dollars a year, is deeply involved in urban affairs today. In the second place, the present tangled, ponderous system is not meeting urgent urban needs. Finally, already some of the more gloomy academic observers are predicting the death of the Federal system, and a few are urging its demise in favor of central governmental control of everything. I, for one, am not yet ready to accept this alternative. But it will be the only alternative without drastic action such as proposed here.

In summary, in 1787 a Federal system was erected to avoid the chaos of our Confederation of States. Our embryonic Government was tottering on the brink of disaster. From that day for-

ward we have practiced allocation of national resources, whether it be land or other natural resources, our economic or our human resources. In the last 25 years we have added to this priority-making process an allocation based on our changed role in the world in which we live. Currently, we are in the midst of another vigorous debate about the allocation of resources for defense (the ABM). Must we not learn rationally to apply the same criteria to the overall allocation of resources to make our communities liveable?



## **REACTION: Senator Clifford P. Hansen**

I would like to compliment you, Mr. Merriam, for an excellent presentation. It is very thought provoking.

We are a big Nation. We are a very diverse Nation, with many interests. If there is one thing that stands out as significant to me in this Federal system we have, it is diversity. It is far easier to find where we disagree on particulars than where we agree on particulars. Yet, overall, I would certainly agree with you that we have a great community of interests. We can talk about differences between my State of Wyoming and the State of my good friend Senator Metcalf, but at the same time, it is also true that we have a lot of problems in common. They are the same problems that people have in the East. The problems of education, of building roads, of providing the services that people have a right to expect from their county governments and schools. Life becomes ever more complicated, and with these increasing complications and the increasing cost of government at all levels, it follows that people are asking if there isn't a better way to do the job than the way we are doing it now. I would like to compliment you for having posed that question.

I think that is what you are saying—"How do we allocate our resources to do the best job?" When we talk about allocation of resources, we generally mean tax monies, because we are usually talking in terms of the public sector. If we agree—and I would hasten to add we probably cannot agree—on some guidelines that might control the way we expend our funds, I have no doubt that we could be more efficient than we are.

But you know there is something unique about the human animal. Each of us has a slightly different idea. Some of the frustrations and violent reactions in the cities, I think, demonstrate the fact that we aren't all made alike and what may suit one person does not necessarily suit another.

I think part of the answer to the problems of big metropolitan areas will be found back in the rural areas of Montana and Wyoming. I have talked a number of times with Senator Metcalf about this. I think he and I agree that there has been an exodus of people from rural America which has contributed to the problems of urban America. So let's not focus our attention myopically on the city and think this is the only problem. It is a very real and a very big problem, but not the only problem. Part of the problem we see here in Washington, D. C., or in Detroit, or wherever we may be looking, is a reflection or a result of problems stemming from rural areas.

I think our job must be to see that Government not only tries to spend its money as wisely as possible, but that it encourages as much interest and participation in Government as possible. For that reason I am going to put in a plug, as Mr. Merriam has to some extent, for revitalizing this Federal system, which includes not only the Federal Central Government but the States and local communities. Unless this can be that sort of system, I don't think we are going to be able to satisfy people. I know, as a county commissioner, it was always interesting and thrilling to me to see people join a school board—a little local school board—for the first time. It was the first time they had a chance to actually get their feet wet in Government. It is a great experience for people. I think today we can look at New York City and other places around the country and find a continuing expression of the desire of people to have something to say about the kind of government that they have. Because of that I think we can afford a certain amount of inefficiency, if you please, in order that we don't destroy the human animal who, after all, must be our main concern.

While our problems can be categorized in some broad areas to include the concerns of people in Montana and Wyoming and Missouri and Massachusetts, the problems are not identical.



We happen to have about three and a half people per square mile in my State of Wyoming, and—as some wag once reminded me—you can travel over quite a few square miles out there and not find three and a half people. We spend, according to *U. S. News and World Report*, more tax dollars per \$100 income in Wyoming than any other State except Hawaii. Yet, I would be the first to admit that our school system isn't the number one or the number two system in this country. This is true despite the fact that most of our tax dollars go to our school system.

Our problems are not the same problems that people have in New York or Rhode Island. I think that if the Federal Government could give monies, with fewer strings attached, back to the States, we can see that the dollars are better spent than they are now.

As Governor of Wyoming, I found that in seeking Federal help, ever so many school districts and ever so many units of county government were concerned not always with their primary needs, but more and more were concerned with having to comply with Federal standards. And all too often they were selecting a program that gave more money per dollar invested to the State or local school district than another program did, whether or not that program addressed itself to the main need. So it seems to me there is a capability, a desire, a willingness, and there is an eagerness at the local level to let the people there have a little more decision-making responsibility.

## REACTION: Senator Lee Metcalf

I agree we have opened up a very controversial, very significant area of discussion. Mr. Merriam presented, I think, some of the weakest spots in our Federal system. He has brought up plans, proposals, suggestions, or at least questions for the future, for Congress, Governors, legislators, and councilmen all over America to solve. As I look at this list of people who are going to be speakers, reactors and moderators at future meetings, I am very much impressed by the kind of survey that you are going to make.

My distinguished friend from Wyoming and I come from neighboring States that are very alike in economy, and industry, and friendly people. We have built many bridges across the political chasm, and I think we are going to have some community of agreement here today.

I think you have opened up enough questions that we can talk a long time, Mr. Merriam. I am going to challenge one statement—that “antiquated grant-in-aid program.” Now, in my opinion, federalism depends upon grants-in-aid. The thing that saved the federalist system in America—this system of strong States with a strong Federal Government that doesn’t direct all things from the center—is the grant-in-aid program.

Let me give you examples. The unemployment compensation and social security programs that were very roughly flung together in the Roosevelt Administration still are under the control of the States, and the States are not weaker but are stronger because of that. Another example is the highway program. Huge expenditures by the Federal Government on Interstate highways have not relegated the State highway commissions to supervising country roads, but have given them more strength than they had before. One reason is that we have not tried to keep too much control here in Washington, but let our highway

commissions condemn the land and decide basically where their roads are to go.

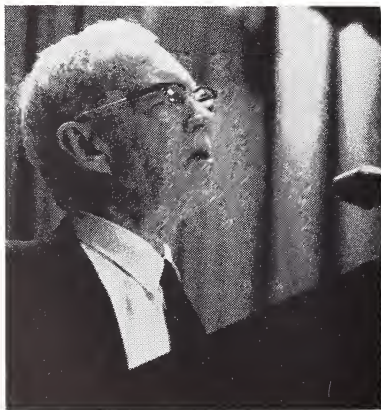
I know that my friend here, who is a former Governor, will tell you that one of the strong commissions in every Western State is the fish and game commission. It gets a lot of money—almost complete support in my State—from Federal activities. And yet it hasn't been relegated to being just an adjunct to the Federal Government. When you point out that we haven't taken care of the urban problem, you have pointed out that we must not abandon or relegate to oblivion our grant-in-aid system. We have to modify it so that we can take care of our most vexing and neglected problems.

I remember when I was trying to get some Federal aid for schools (we have a lot of it now—we didn't have very much then) one of our distinguished local citizens said to me, "The only thing that's wrong with education is that we don't have enough money, and there isn't anything that we can't do in education with enough money." Well, we have put an awful lot of money in—properly, I believe—but we still haven't taken care of a lot of our educational system. Creating a structure to find and channel money isn't the whole problem, but that is a good deal of it.



**CHARLES J. ZWICK**, now president of the Southeast Bank Corporation, Miami, Florida, was formerly Director, U. S. Bureau of the Budget (1968-69). His background includes degrees from the University of Connecticut and a Ph.D. in Economics from Harvard. He has taught at Harvard and the University of Connecticut, and in 1956-63 was with the Rand Corporation. In 1963-65, he was a member of the Research Council.

**REPRESENTATIVE MARTHA W. GRIFFITHS**, of the 17th Congressional District, Michigan, has been re-elected to each Congress since the 84th. Holding degrees from the universities of Missouri and Michigan, she practiced law in Michigan and served in the Michigan State Legislature from 1948 to 1952. She was the first woman to serve on the Joint Economic Committee and the House Ways and Means Committee.



**JAMES A. MAXWELL**, an authority on fiscal federalism, is a professor at the University of Connecticut. With a Ph.D. from Harvard in 1926, he taught Economics at Clark University (1924-41 and 1947-67), holding a Fulbright Professorship at Melbourne University in 1965. During the 1940's, he served as Chief Economist with the Office of Price Administration and the U. S. Department of State. His recent books include *Financing State and Local Governments*, and *Tax Credits and Intergovernmental Relations*.

## REVENUE SHARING IN OUR FEDERAL SYSTEM

Charles J. Zwick

Revenue sharing is indeed a popular topic. In recent years, there have been extensive Congressional hearings and many articles on the subject. It has been advanced as a bold new approach to many of our domestic problems, and if one travels in the right circles, it is a subject for lively cocktail party discussion.

It is clearly a popular subject in the Congress. During the 89th Congress, 51 tax sharing bills were sponsored. The 90th Congress, not to be outdone, sponsored more than 90 separate bills. The Advisory Commission on Intergovernmental Relations found at least 35 different versions of the tax sharing scheme during the first session of the 90th Congress. The 91st Congress also entered the contest early with the second bill introduced in the Senate (S-2) being a revenue sharing plan.

Why this great concern? Certainly all this activity does not just happen. Even a casual inspection of the literature highlights very clearly a diverse set of objectives that underlie this rash of revenue sharing proposals. Rather than add to the already impressive bulk of paper describing revenue sharing, I thought it would be more useful today to talk about the underlying issues that have, I believe, brought together a diverse group of people to recommend revenue sharing as an attractive governmental reform.



It is my thesis that three major issues are being debated under the general label of "revenue sharing."

The first issue is, how big a public sector do we want?

The second issue: given the total resources that we as a Nation are willing to commit to the public sector, what programs should be emphasized?

The third is: how are these Federal funds to be channeled and what is the role of the several governmental levels in our Federal system of government?

In this talk, I will first discuss the underlying issues that are the driving force behind most revenue sharing proposals. Second, it will be useful to provide some perspective on recent trends in the Federal budget. And then I will comment on the importance of this whole debate on revenue sharing. Briefly, my view is that most of the publicly stated reasons for revenue sharing are of little relevance, but the unstated ones go to the fundamental structure and goals of our Federal system and are, therefore, of great importance.

### **How Big a Public Sector?**

The drive for revenue sharing is led partly by individuals concerned with the total resources available to the public sector. To them, revenue sharing is simply a technique for providing resources for additional public services. It is interesting to note that many proponents of revenue sharing at the State and local levels feel strongly a need to provide additional public services, but are not now fully exploiting the traditional tax bases used by State and local governments. One cannot help but conclude that revenue sharing is for one group a more politically acceptable technique for increasing public expenditures. For them, getting additional resources from Washington through a revenue sharing formula is more acceptable, automatic, likely and desir-

able than exploiting the traditional revenue sources available to the State or local governments.

In the early Sixties, a second rationale was put forth in support of revenue sharing. It was a concern for "fiscal drag" in our economy. Stated simply, a number of economists were concerned that there would be a tendency for the Federal budget to have a depressing effect on the economy. With a fixed tax structure, the revenues available to the Government grow as the economy grows. There was concern that it would be difficult to get Congress to appropriate additional money as these revenues became available and, consequently, the Federal budget would tend to provide a "fiscal drag" in our economy. Revenue sharing was again viewed as an automatic expenditure device and a politically acceptable way to neutralize this fiscal drag.

In brief, for both program and fiscal policy reasons, revenue sharing was viewed as a more politically acceptable technique than more direct approaches to public spending. I will comment on this strategy later. At this point, my objective is to highlight the fact that revenue sharing is viewed by many as a device to provide automatic expenditures.

### **The Program Mix**

Certainly at the heart of the current debate on revenue sharing is a concerted effort to change Federal spending priorities. If implemented, revenue sharing would, in fact, be instrumental in shifting the mix of Federal Government programs away from those that only the Federal Government can carry out directly. These include military, international aid programs, and postal services, to list some of the key programs that are traditionally carried out at the Federal level.

Within recent weeks this debate on priorities has concentrated on the ABM system and defense spending generally. Inter-

national and public works programs, and if one is from an urban area, commodity support programs, are also favorite targets. Clearly, part of the debate is about the mix of Federal programs. Revenue sharing, by diverting some of the money that would otherwise be available to the appropriations processes of the Federal Government, could be a key instrument for altering national priorities in favor of certain domestic programs. On this there can be little doubt. By automatically channeling money to State and local governments as a first claim on new revenues, revenue sharing would have a significant impact on the pattern of Government spending. With less money left for national programs, there would be more stringent budgeting for these programs.

### Fiscal Federalism

Perhaps one of the strongest motives for recommending revenue sharing is the desire to alter the form and channels through which Federal revenues flow to support State and local activities. This issue goes to the whole structure of our Federal system of government. By channeling monies through various categorical grants, we are affecting significantly the relative importance of the several elements in the Federal system. It is not surprising that Governors are in the forefront of those who argue for revenue sharing and view this as a Federal-State problem. On the other hand, the mayors of our major metropolitan areas view with some concern revenue sharing with State governments. They insist that as a minimum, there be a pass-through provision which would make a fixed percentage of the monies flow directly (automatically) through the State machinery to their administrative control. Revenue sharing, if you will, between the State and local governments.

The question of who controls the spending is, of course, one of the most fundamental questions facing our Federal system. To what extent do we want Federal standards and conformity



in our educational and welfare systems, for example, and to what extent do we want local initiative and conditions to shape programs? On this subject there is clearly much disagreement and I would caution that this disagreement runs the spectrum of political belief. Even those who argue for Federal standards in such areas as welfare, education, health and civil rights, argue strenuously for local initiative in many public expenditure matters. To give a few examples, highway vs. mass transit systems in our urban areas, location of airports, and the support of cultural programs and all activities that individuals who normally support national emphasis programs believe should be dominated by local initiative. In fact, there is almost an inverse correlation. Those who would tend to provide more local initiative and diversity in the human resource area of the public sector, usually argue for a national airway system, a national highway system, a national system of inland waterways, etc. Conversely, those who insist on national standards for key human resource programs usually want local initiative to dominate public facility decisions.

I am suggesting that there is a subtle, but fundamental, issue under debate. This issue is in addition to the questions of resources for the public sector and of program emphasis. Through what channels of government do we want public resources and priorities to flow and thereby strengthen or weaken the several elements of the Federal system? The participants in this debate are keenly aware of this issue. There is little lack of clarity among the mayors, Governors and, may I add, Federal administrators, on this matter. All believe they can do the job better than their good friends in other governmental units.

By channeling relatively unconstrained resources to Governors, for example, we strengthen them relative to Congressmen, mayors and program-oriented agencies, such as State highway and education departments. Conversely, categorical grants tend

to support relatively autonomous State and local agencies and weaken Governors and mayors. Members of Congress also like categorical grants because of the role they can play in obtaining these funds. They would not like to see Governors spending more while taxing less.

### A Perspective

These are issues of great import. However, this very importance and the diversity of objectives underlying the generalized support for revenue sharing, lead me to conclude that revenue sharing will be easier to talk about than to implement. To put it bluntly, revenue sharing has become a cliché—a nice concept behind which many real issues are hidden.

For example, one hears little support for simple revenue sharing today. A typical statement is, “I am for revenue sharing but there must be, of course, a maintenance of effort provision so that these monies will not simply substitute for existing sources of revenue. Also, there should be a pass-through provision to local governments and there must be some insistence on compliance to Federal standards before revenues can be shared.”

At this point, I feel that I have heard this refrain before under the title of “categorical grant.” Many have concluded that, in the end, if revenue sharing is passed, it will look like a big categorical grant. On the surface this similarity between the two approaches will probably exist. But, I submit, significant effects will have taken place. By making part of the Federal Government’s revenues automatically available to State and local governments, it will be easier to:

1. Increase the size of the public sector;
2. Alter the mix of public expenditures away from those programs that are carried out directly by the Federal Government; and

3. Change significantly the role of the several levels in our Federal system of government.

Now let me discuss for a moment recent trends in the Federal budget, because I think these trends are relevant to this afternoon's subject. If you look at these trends over the last decade, you conclude that we have something that I call *de facto* revenue sharing with State and local governments. The fastest growing component of the Federal budget is grants-in-aid to State and local governments. On a national income accounts basis, these grants have increased from \$6.8 billion in fiscal 1960 to a proposed level of \$23 billion in President Johnson's budget for fiscal 1970.

The next fastest growing area in the budget is transfer payments. Social Security and other social insurance trust funds are the key items in this category. In fact, if we subtract grants-in-aid and transfer payments, and compare the fiscal year 1960 budget with President Johnson's budget for 1970, we find that the budget has gone up from \$62.1 billion to \$121.7 billion. Setting aside the expenditures in the 1970 budget for Vietnam, the contrast between grants-in-aid to State and local governments and other program growth is dramatic. These revenue sharing programs are projected at a level almost quadruple that level in the 1960 budget. Transfer payments are two and one-half times their 1960 level. In contrast, all other programs, excluding Vietnam expenditures, have increased by less than two-thirds over the same period.

It is quite clear that the major emphasis over the last decade has been in increasing expenditures for grants-in-aid to State and local governments. Of this increase in grants-in-aid from \$6.8 billion to \$23 billion, roughly 75 percent has been for health and welfare, education, manpower, community development and housing.

One more statistic—about 14 percent of the revenues that were available in 1960 to State and local governments for their ex-

penditures, came from the Federal Government through grants-in-aid programs. In the 1970 budget, that proportion has gone up to 18 percent.

Looking to the future, we must conclude that program areas supported by these grants-in-aid will continue to grow faster than the total budget. Simply stated, the demands placed on the public sector at this point in our Nation's history make this growth inevitable. I personally have little interest as to whether or not one calls the existing state of affairs "revenue sharing," but it is clear that these program areas need additional support and will continue to grow faster than the total Federal budget—with or without "revenue sharing" legislation.

Let me suggest another view of President Johnson's 1970 budget. The total budget increased by \$11.6 billion over the 1969 budget—\$183.7 to \$195.3 billion. What were the key items in this increase? The first and biggest increase was \$4.5 billion in the social insurance trust funds. Another big item was the pay increase for Government personnel of \$2.8 billion. There was an \$800 million increase for interest, and grants-in-aid increased \$4.2 billion. These four items add up to \$12.3 billion. All other programs as a group decreased by \$700 million.

The increased expenditures have gone first for transfer payments, second for grants-in-aid, third for Federal employee pay, and fourth, for increased interest charges. Now, if we are going to change Federal spending priorities, what are we going to hold down? We could think about taking away the pay raise from Federal employees; I doubt if that proposal has a great amount of appeal in this room. Hopefully the increase in interest costs is not a permanent fact of life. We could slow down the growth in transfer payments as the new administration has proposed. Finally, we could cut back on existing programs. This last solution has always been easier to propose than to carry out.

But if we abstract from the detail, we can see that the Federal Government has become a vehicle for doing two things. First, it carries out transfers; it collects money and gives it back to individual recipients. And, second, it is a device for "revenue sharing" with State and local governments. It collects taxes and passes funds back to State and local governments through various categorical grant programs. If we want to do more "revenue sharing," we have to take it away from the civil servants, the individuals that are receiving transfer payments, or old and politically popular programs. If we cannot reduce these programs we have to collect more revenue. It is as simple as that.

In closing, let me make several predictions. These are very modest, as all predictions should be. First, "revenue sharing," if enacted, will introduce a bias in favor of increasing the resources available to the public sector. Some openly and wholeheartedly support this objective. Others see "revenue sharing" as a convenient device for accomplishing necessary public expenditures without having to take politically unattractive actions, *e.g.*, fully exploiting the traditional State and local tax sources, or openly supporting Government spending through the more traditional but more visible appropriation procedures of our Government.

Secondly, if enacted, "revenue sharing" will tend to alter Federal spending priorities away from areas such as defense, space, postal operations and other programs that are traditionally carried out directly by the Federal Government. By definition, "revenue sharing" automatically diverts revenues to State and local governments without subjecting their use to the appropriations review process. In the end, this must mean that these programs will receive more support than otherwise would have been the case. If this is true, it follows that there will be less money for the remaining programs.

Third, the specifics of the "revenue sharing" legislation will have a major impact on the several elements of our Federal sys-

tem of government. By channeling monies in one direction or another, we strengthen or weaken the several parts of the system. I will not forecast how the various actors will emerge from this drama. I will, however, forecast that there will be spirited debate before any legislation is enacted. Members of Congress, Governors, mayors and lobbyists for particular programs seem to sense that their interests are at stake.

This last issue of how we want to order our Federal system is, of course, of major importance. I believe the time has now come when we must face this issue squarely. I, for one, would rather focus on the *real* problem than attempt to influence important public policy concerning the nature of our Federal system through legislative detail under the relatively popular, but now relatively meaningless, title of "revenue sharing." The stakes are too high for this type of political expediency.



## REACTION: Representative Martha Griffiths

I am happy to be here to express my opinion on revenue sharing. And let me begin by saying to Mr. Zwick that I am sure those 90 bills were introduced by the very new Congressmen who came from State legislatures and have expected to solve the problems of those legislative bodies by a little revenue sharing. When Walter Heller first suggested that we have revenue sharing, that we give back to the States part of the supposed surplus that was to be accumulated in the Federal treasury, it was perhaps the most popular suggestion that had ever been made by the Council of Economic Advisors. Without any regard to partisanship whatsoever, and in spite of the fact that the President obviously was not enthralled with the idea, that Mr. Mills and Mr. Mahon were horrified, the 50 Governors met and immediately agreed to the suggestion. Then, as Mr. Zwick has pointed out, the cities came in and decided it was a great idea, too, if it passed through to them.

I would like to predict that it will be many years before the States get any unencumbered money out of the Federal Government. Their problem is how would it be done. And I'll make another prediction. Even if this bill really were up for consideration, I think that there would be a speedy bipartisan meeting of the rich and populous States who are paying the income tax, who would decide that the proper place to put it is back into their States where the need is. Now they would not necessarily look to see how much each State had done on its own behalf, because the moment that you did that you would lose some States' votes.

For instance, Texas is one of the richest States, and yet Texas, in the matter of welfare payments, I think, is about 46th. I am sure New York, Michigan, Ohio, and California would not be willing to lose the Texas votes, therefore they would pay considerable attention to what Texas had to say. At any rate, these

would be the legislative problems, in my opinion, of passing any bill which passed back unencumbered money.

If the bill goes back only to a State legislative body, then that body would again go through the same problems. Who gets the money and how do you spend it? In almost every State in the Union, the big cities are the places that need the money very badly, and most legislatures are stacked against those big cities. In general, over the past 100 years, the big cities have paid the taxes and the State has disposed the money into the rural areas. But, at any rate, the weighing of the problem would be a very difficult one and Congressmen who are working on it understand this perfectly.

If you began with the idea that you are going to pass revenue back as a categorical grant, you would have some chance. Obviously, you already have lots of categorical grants. You certainly increase the chances for any revenue sharing if you set up some kind of test—some sort of standards. Now, this has against it the fact that you are really spending the States' money for them, too, or the cities' money. You are telling them "put your money here and put your money there," and this is exactly what they don't want to be told. Frankly, I don't really blame them for that.

I must say that there was one argument Mr. Zwick made that I certainly found not only very interesting, but very attractive. That is the reordering of how you spend the money. Among the things I have done in my life, I was once a purchaser for the Defense Department. I know where lots of the bodies are buried, and, if there is any small thing we could do that would direct some money away from the Defense Department, and into some of the other areas of activity where it is needed, I would be happy to do that.

As I held hearings on revenue sharing, I felt that perhaps what we really needed to do was to redetermine for what the Federal



Government is responsible. The Federal Government should be responsible for education, but you'd never get this away from the local school board. Of course, it's impossible. We could never get past the emotional hang-ups. Where billions are spent and where the Federal Government should be responsible—and the Supreme Court decision 2 days ago may bring some additional light to the subject—is on welfare. It would be a great boon to State and city governments if the Federal Government would take over all welfare payments. I think, personally, it would be almost impossible to standardize them. We now pay 85 percent of the general welfare load in some States, as opposed to 50 percent in others. And yet, in the States where we pay the most, the least is paid to a welfare recipient. Of course the reason we can't take over the welfare payment is that we don't have the money. The expenditure is far greater than the means the Federal Government has at this time. Nevertheless, I, too, would be in favor of reordering the priorities. It is generally true that a new idea introduced before the Congress requires about 20 years before its enactment. Ten Congresses come and go. The first introducers of the bill retire or are retired for introducing it, or die. And, at last, after a generation has passed, the idea is acted upon. I remember one day before a Joint Economic Committee that Mr. Samuelson of MIT, discussing granting the President the power to raise or lower taxes, said, "Why, it will be a matter of no time till this power will be granted." Seven years have passed and we are no closer to granting that power than we were 7 years ago. In my judgment, we are no closer to granting unencumbered money than we were when the suggestion was originally made. But the growth of the Federal Government's grants to cities and States has been great, and certainly will be greater.

One problem is that a local government tends to let its own taxing powers dry up. In all the years I have been in Congress,

I have never bothered the Budget Director. I have never received a single grant for my district. I have never been one of those people who can take credit for something that came into the district. But, as a Congressman, believe me, I don't want three Senators and five State legislators out saying, "Well, yes, we would be glad to give you this except Martha won't let us." "She's not voting for it." I think from some standpoints you would have some problem on this. I believe I quote Mr. Mills correctly, and Mahon, when they say that the power to spend it should be where the responsibility to raise the money is.

## REACTION: James A. Maxwell

I am in favor of revenue sharing, which makes me a minority on the panel. When I read Mr. Zwick's paper this morning, I must confess that I found myself in basic disagreement with a good deal of what he said, and especially with the emphasis of what he said. As I hear him now speak very plausibly and clearly, I am somewhat less in disagreement.

Let me state some of my disagreements. I shall take the position that I come to bury Zwick and not to praise him. For the moment, I shall make no attempt to criticize Representative Griffiths' very fluent and vigorous and clear remarks.

I believe that the issue of how big the public sector is, is irrelevant to revenue sharing. The size of the public sector in the United States will be determined by much more fundamental forces than revenue sharing. If the people of the United States want something, they are going to get it, no matter from what level of government. Revenue sharing is concerned with which level of government is to do whatever is done. It is, in essence, a governmental decentralization. It would, I think, allow State and local governments to make more spending decisions and the Federal Government to make less.

One basic premise of the argument for revenue sharing is that expansion of State and local spending made possible by revenue sharing would benefit the Nation more than either direct expansion of Federal spending or a cut in Federal taxes.

A second premise is that the money provided to State and local governments by revenue sharing could be raised more efficiently by the Federal Government than by an additional levy of State and local taxes. The most productive and equitable taxes are handled and can best be handled at the Federal level. The United States is economically so integrated; it is so much one market; its labor and capital are so mobile; that State income

and sales taxes bring complexities, conflicts, inequities, and heavy costs of administration and compliance. All of these difficulties are and will continue to be tolerated; some of them could be alleviated; but ineluctable fact remains that the Federal Government is a superior collector of most taxes.

These two premises put together mean that an imbalance exists in the American federalism, and normally will exist, between the duties and the financial abilities of the two major levels of government—the Federal Government on the one hand, State and local governments on the other. State and local governments have now an excess of functional responsibilities in relation to their revenues. With the Federal Government, it's the other way around. This imbalance is bridgeable by grants—specific purpose or conditional grants, and by general purpose or revenue sharing or unconditional grants. The specific purpose grant is efficient in securing adjustments in the amount and quality of particular services in which the Federal Government has a concern. Revenue sharing or general purpose grants are efficient in providing financial help to State and local governments to finance those functions where the main impediment is financial weakness.

To me, the forecast of Mr. Zwick that revenue sharing, if enacted to the tune of say \$4 or \$5 billion a year, would alter Federal spending priorities away from defense, or space, or postal operations, is not credible. These functions are purely Federal functions met by direct Federal programs. They are activities which the Federal Government can perform far more efficiently than State and local governments, and such functions must always have first priority for Federal revenues.

But some governmental activities can best be carried out at the State and local level, and some can best be performed co-operatively via specific purpose grants. In my opinion, the Federal Government now has too great a variety of specific purpose

grants. There are some 420 grant authorizations in the current budget. The complexity of these grants has created a formidable information gap; it has stimulated gamemanship; it has created administrative chaos at the State and local level and to some extent also in some Federal agencies. Many of the specific purpose grants assume a national homogeneity of attitude toward certain governmental services which does not and cannot exist. It prescribes uniformities of performance where deep-seated factors prescribe some diversity. All of this accentuates and aggravates divisive elements which are always present in federalism. I am not saying that all State and local preferences with respect to spending are to be accepted. When their preferences conflict with important national objectives, they should be overridden. These occasions, however, will not be many, and a firm assertion of national authority concerning them will be more reasonable and more acceptable if it is not dissipated in numerous, petty efforts to direct State and local expenditures for purposes which are not of major national consequence.

I do then, in perhaps a round about way, agree with Mr. Zwick when he states that revenue sharing would have a major impact on our Federal system of government. But this is not at all a matter of weakening or strengthening the several parts of the system. It is a matter of strengthening the Nation. Mr. Zwick hints that State and local governments are for revenue sharing because they have failed to exploit their own revenue sources. I think that anyone who looks at what State and local governments have done in the past two decades will say that they have faced up very well to their financial responsibility. In the aggregate, they have made a very great fiscal effort. Some few States and some few cities have not done some things which they ought to have done, but fiscally they have tried hard. Mr. Zwick looks at the vast growth of the categorical grants and he says that this, to him, is revenue sharing. In my view it is not. Mr. Zwick

hints that a revenue sharing plan which has any conditions is somehow non-virgin and shorn of virtue.

I am for revenue sharing, and I would have two conditions: One, maintenance of revenue effort on the part of the recipient government, and, two, some pass-through. (I'm not sure just what pass-through. It merits more study, which I hope it will get.) Those two conditions do not in my opinion convert revenue sharing into a categorical grant. Maintenance of revenue effort and pass-through are *general* conditions that put no restriction on the directions of State and local expenditures. They would not require a whole series of instructions and rules and detailed supervision to implement.

Laszlo Ecker-Racz said that I had been a student of fiscal federalism for many years, and I have, starting when I was very much younger, with two other federalisms, Canada and Australia. These two nations, much smaller in population and much weaker economically than the United States, were forced to face the problems of fiscal federalism earlier than the United States. They have therefore studied the problems more intensively and carefully. In Canada and Australia, general purpose grants have long been a viable and successful feature of fiscal federalism.

I do want to make two small comments on the remarks of Representative Griffiths. First, I hope all her predictions will be wrong. The second comment concerns the very grave fiscal plight of our cities. What should be done? I doubt that direct Federal unconditional grants to cities are wise, because no sensible formula exists for distribution and, I doubt that one can be devised. Should all cities, regardless of size, qualify, or just large cities? Half a dozen States in the United States have no cities as large as 50,000 to 75,000. A good many cities are in pretty good financial shape. No uniform formula for allocating Federal money to cities seems equitable. I don't think it could

be made both equitable and uniform because the division of responsibilities differs in different States between State and city governments. Moreover, the very distressing problems of the core cities are not just financial. Financial problems are manifestations of deeper problems which, if they are solvable at all, probably call for governmental reorganization or metropolitan cooperation. Unconditional Federal grants to core cities would often prop up an inefficient arrangement and impede reform.

So I believe that the hard questions concerning city problems, and the hard decisions, should mostly be made at the State level with Federal guidance, pressure and financial assistance. These will reflect the special characteristics of each major city in relation to the State where it is located. And so, much as I worry about the financial plight of the cities, it seems to me to be a separate problem from revenue sharing. If the Federal Government is going to intervene at all, it should get in more strongly than it has with programs of specific purpose grants.



## REMARKS: L. Laszlo Ecker-Racz (Moderator)

I will take a moment to make sure that two or three terms used here are understood in their correct context, particularly by those not specialists.

You heard reference made to a "revenue maintenance requirement." I think Dr. Maxwell used the term. He meant by it, that State and local governments would be given a share in the Federal revenues, provided they committed themselves not to reduce their own tax collections. We refer to this as "revenue maintenance."

Representative Griffiths used the term, "tax effort." The suggestion is made time and again that as a condition of sharing in Federal revenues, all State and local governments be required to make a reasonable effort by tapping their own resources. For example, that their own tax collections must take at least a prescribed percentage of the aggregate personal incomes of their residents.

You heard the phrase, "grants without conditions or shackles." Most of us who discuss this subject understand that the term does not preclude holding States accountable for the Federal funds; that it does not preclude a prohibition against using the funds for prison labor; that it doesn't preclude a prohibition against violating civil rights laws, and so forth. The phrase "unconditional grants" means only that these funds, as distinguished from the usual grant-in-aid funds, would not be earmarked for a specific function, but would be available for general governmental purposes.



**JOHN N. ERLBORN**, Member of Congress from the 14th District of Illinois, is a graduate of the School of Law, Loyola University. He was admitted to the Illinois Bar in 1949. Congressman Erlborn served four terms as Representative in the Illinois General Assembly (1957-1965), and has been Representative in Congress since 1965. He serves on the Education and Labor Committee and the Government Operations Committee.



**DWIGHT A. INK**, Assistant Director for Executive Management, Bureau of the Budget, is a career Federal executive. He is now responsible for taking steps to improve management and organization in the Federal Government, to eliminate overlapping activities and duplication of effort. Mr. Ink holds degrees from Iowa State University and the University of Minnesota, and in 1961 received the Arthur Flemming Public Service Award. He previously served with the Bureau of Reclamation, the Atomic Energy Commission, and the Department of Housing and Urban Development.

**ELMER B. STAATS** became Comptroller General of the United States in 1966, after 26 years of service in the Federal Government. He served as Deputy Director of the Bureau of the Budget under Presidents Truman, Eisenhower, Kennedy and Johnson. A native of Kansas, his Ph.D is from the University of Minnesota. He has been national president of the American Society for Public Administration, and a member of a number of boards and committees interested in the public service.



## THE MANAGEMENT GAP AT THE FEDERAL LEVEL

John N. Erlenborn

In being asked to address you on the subject of the "Management Gap at the Federal Level," I am given the opportunity to engage in two tasks that I find most satisfying: First, to sound off on what I believe is wrong with Government today, and second, to engage in a discussion with concerned and able Federal managers who are in positions of authority or on the way up.

In a moment, I intend to launch into the first task. But, before doing that, let me comment briefly on the second.

We here today represent two separate branches of our Federal Government. For many reasons—constitutional and otherwise—we often appear to face each other in a hostile way; the Congress criticizing the performance, efficiency, and, at times, the secretiveness of the Executive Branch; and the Executive Branch condemning the Congress for short-sightedness, lack of understanding, penny-pinching, and various other epithets. Generally speaking, I believe that the competitiveness and separateness that exist between the two Branches is basically healthy. And, kept within bounds, it tends to breed concern, vitality, and an overall dynamics which other systems of government lack. By the same token, I believe the descriptions applied by each Branch to the other are probably often as unfounded as they are accurate. But, if each of us in Government is to do our duty properly, we must not let this competitiveness turn into hostility. For, if such does occur, as it has at times in the past, we end up fight-

ing each other rather than engaging in overcoming our mutual enemy—the problems that plague America today.

To be able to meet under the present circumstances, rather than over a committee table or in the columns of Drew Pearson, is also highly contributory to the strengthening of our governmental processes. We are in the serious business of Government together. What one does affects the rest—either to the benefit or to the detriment of the citizens and taxpayers. I know it sounds hackneyed, but we only get the government and the society we deserve. It is not through happenstance or ill-luck that our society suffers the ills and weaknesses it does today.

I now turn to my second task, which I also enjoy—pointing out what is wrong with the Government.

### Management Gaps

At the risk of startling you, and perhaps dismaying our hosts, allow me to announce at the start that I do not believe that a “management gap” exists in the sense normally conveyed by that phrase, such as the absence of a substantive body of knowledge or, as in the case of a missile gap, with connotations of misfeasance or malfeasance.

Have no fear, I believe there is much wrong with our Government, and I plan to give a few examples in a moment. But, I believe that the present management practices in the Government are about what the Congress, the Executive Branch, and the electorate have bargained for.

This does not mean we do not have gaps. To the contrary, we have gaps galore—social gaps, economic gaps, military gaps, political gaps, etc. But, if there is one gap we don’t have, it’s a management gap. Rather, our problem is one of excessive programming and over-management from the standpoint of excessively centralized direction, regulation, and organizational

structure. That, in my view, is the chief cause of our present-day failure and the main reason for waste, inefficiency, and ineffectiveness in much of our Federal effort. I do not mean by this thesis to deny the fact that a number of programs have suffered from failure to apply adequately and effectively sound management systems and techniques.

Let me first turn to defense procurement.

### *Defense Procurement*

Within the total Federal budget of approximately \$180 billion for fiscal year 1969, nearly \$80 billion will be allocated for military expenditures. Of this amount, approximately \$50 billion will be applied to the procurement of goods and services. In examining the administration of these procurement activities, I doubt that anyone will maintain that a management gap exists. What does exist, however, in too many instances, is a management failure—failure to obtain adequate military protection at the least possible cost.

As you may know, the defense procurement program is characterized by the fact that a relatively small number of prime and support weapons systems contracts consume the overwhelming proportion of the defense budget. You are also familiar, I'm sure, with the details surrounding past failures in procurement.

In the case of off-the-shelf procurement or small-item purchases, millions of dollars are wasted annually through failures to maintain adequate inventory controls and supply operations. Frequently, large losses occur through failures to maintain adequately or to repair existing items of equipment or supplies. Good quality and usable property is, all too often, excessed and surplused, for a fraction of its original acquisition value, while similar new items are being purchased at inflated prices. And,



you are also familiar with the cases where the Department of Defense buys an item for \$100 which can be bought commercially for \$10, or for which a losing bidder offered \$50.

Turning to high-cost procurement, the tale is even more startling.

The C-5A aircraft is apparently operating on an overrun of \$2 billion—representing about two-thirds of the original total-package procurement cost. The Cheyenne Helicopter development has increased from \$100 million to a billion dollars. The M-16 rifle costs have skyrocketed while performance apparently fell considerably below expectations. You are all familiar with the rise and fall of the F-111.

During the past 15 years, the Navy cancelled 10 major aircraft projects at a cost of about \$721 million before deployment, while the Air Force cancelled 11 such projects at a cost of approximately \$2.5 billion. In the missile field during the same period, the Army cancelled six projects at a cost of \$399 million; the Air Force 10 projects at a cost of \$2.75 billion; and the Navy 12 projects at a cost of \$993 million—all prior to deployment. The Army, meanwhile, cancelled eight projects prior to deployment in the area of ordinance and combat vehicles at a cost of over \$70 million.

It should be made clear at this point that I am not condemning the fact of these cancellations. Rather my complaint is over the inadequacy of feasibility and program evaluation studies and recommendations which led to the initiation and continuation of programs with highly unfavorable chances of success.

I could go on to list additional examples of inefficiency and waste in military outlays such as in the management of R & D programs, in manpower and training programs, and in supervision and control of Government-owned, industry-operated



plants and equipment. However, I do not wish to over-emphasize the management problems of the military.

Therefore, let's turn to the domestic sector of Federal operations.

### *Grant-In-Aid Programs*

The chief example that comes to my mind is the operation of Federal grant-in-aid programs. Like Topsy, they "just grewed." And, with their growth, the problems of administration multiplied many-fold. Here again, we're faced with a situation which constitutes not a management gap but an organizational glut.

There are today approximately 400 major grant-in-aid programs. That is, according to the Bureau of the Budget and the Advisory Commission on Intergovernmental Relations, there are that many. Congressman William Roth, of Delaware, however, has made a detailed study in this area, and he reports over 1,000 such programs. No one knows the exact number, and that, in itself, is an eloquent commentary.

According to the latest estimates, approximately \$25 billion will be funneled to State and local governments through these programs in 1970. When it is recognized that 50 States and some 80,000 units of local government are entitled to benefits under one or more of these 400 or more programs, and that such programs are administered by 21 departments and agencies, 150 bureaus and divisions, and some 400 field offices, the opportunity for achieving successful administration must be placed strongly in doubt.

Approximately a quarter of present grant-in-aid programs are of the formula type, where rigid requirements are laid down on payments, matching contributions, recipients, and purposes. All too frequently, these programs reflect outdated priorities and prevent sound management discretion. Without question, they

substitute Federally ordered priorities for local initiative and affect State and local budgeting.

The other three-quarters of these programs are of the project variety, which afford greater discretion in the selection of grantees, size of awards, project purpose, etc. But, the greater flexibility permitted in the administration of these project grants has not tended to enhance the quality of management or more effective use of the money.

In the first place, under both types of programs, there is such duplication, proliferation, and overlap of program efforts that economy and efficiency are all but impossible. As one example, grant programs administered by the Office of Education have increased from 20 to over 100 in the past 10 years; employees in that Office from 900 to 2,600.

For another example, legislative jurisdiction jealousies and department and agency empire building have brought us to a point where no less than six Cabinet-level Departments and three Federal Commissions have separate water pollution control programs. And I'm certain you remember the recent attempt to institute an additional "rat control" program in the Department of Housing and Urban Development, even though several were already in existence.

The Office of Economic Opportunity, which over a period of 3 years grew from a staff of 400 to one of 3,000 employees, and from a budget of \$200 million to one of \$2 billion, is a case apart. In detailed studies by the General Accounting Office and others over the past few years, it has been found that thousands of ineligible persons have been enrolled in Head Start and Job Corps programs, sound fiscal management practices ignored, operating guidelines disregarded or not prepared, excess salary levels maintained, Government property misused, unneeded equipment and supplies acquired, program supervision has been

spotty, program evaluation and analysis has been all too often deficient if not non-existent, and so on.

The above, moreover, deals with programs which were funded and got off the ground. In too many instances, potential grantees are so confused by the proliferation of grant programs, or so buffaloeed by the reams of paperwork, that they never do obtain needed grants. This is especially true in the case of smaller communities and colleges which cannot afford to establish and finance special offices or to obtain the services of grantsmen to ferret out eligible and appropriate programs and to write appealing, properly worded applications.

As a result, there is the strong probability that millions, if not billions, of dollars annually are funneled to the wrong recipient for the wrong purposes. Although insufficient analysis and evaluation has been made of grant-in-aid programs, that which has been made—as in the case of the Office of Economic Opportunity—clearly points in the direction of this contention. When one reflects upon the present state of mass transportation, environmental pollution, job training, education, and related areas where grant programs exist, similar conclusions are justifiable.

Thus, here again, as in the case of military spending, we have a situation where the problem appears to be not a “management gap,” but excessive programming and management failure.

### *Deficiency in Other Areas of Government*

I could continue this tale in various other areas of Government activities: AID's operations in every country it touches, and especially in Vietnam; the administration of the excess, surplus, donation, and exchange/sale property program by many agencies; the repeated failure to utilize properly excess foreign currencies by our foreign-oriented agencies; and many more.

There is no need to carry this enumeration further, however. You know the story as well as I do. And, you probably have as good an idea as I do of the causes.

My purpose in raising these examples, let me emphasize, is not to ridicule Federal officials or employees. In general, I believe such individuals to be as intelligent, hard-working, and dedicated as those to be found outside Government and frequently, I suspect, more so. Nor am I seeking to maintain that Government, through some immutable law of physics or nature, is ordained to be less efficient or economical than private enterprise. As a matter of fact, I suspect some operations are more, and some less, effective, efficient and economical. Rather, I speak out because I am convinced that we can no longer afford to fail to meet the unmet needs of our society.

### **Creation of a Better Society**

To put it another way, the issue is not whether government is more or less efficient than private enterprise. Our business—yours and mine—is the business of government. If we believe in making our society the best possible, then it is our duty to make it the most effective, economical, efficient, and productive—in a priority, cost/benefit sense—in close cooperation with private enterprise and the other sectors of our society.

By the same token, the issue is not whether the Congress or the Executive Branch or this agency or that department is responsible for the present waste, disorganization, and misdirection that exists today in the Government sector. In one sense, we are all responsible. Perhaps, in another sense, none of us should be blamed. The issue is whether, as citizens and taxpayers, as well as trustees of the public weal, we are capable and willing to dedicate ourselves to fashioning the best society possible.

## Reduce Federal Dominance

There are many actions of a structural nature that can and should be taken to improve the operations of our Federal Government. My thesis, as you will recall, is that we have had a tendency toward too many programs and over-management, rather than a management gap, in Government. To that end, I believe that we should institute measures to reduce the dominant nature of the Federal Government by creating greater pluralism in other sectors of society. This does not mean that we return to a philosophy of *laissez-faire*, or that we turn regulation over to the regulated. There are, in fact, areas where we should increase regulation, such as in the consumer and environmental pollution areas, and other areas where it would be harmful to reduce Federal involvement. But certainly, if there is one thing we have learned in the last few years, it is that the Federal Government is ill-equipped and ill-attuned to cope with or resolve many of our social, economic and political problems.

## Structural Solutions

### *Military Procurement*

In the defense area, the first thing that must be done, in my view, is to reduce greatly the horrendous and burdensome regulation that exists in the area of military procurement. Defense procurement regulations, as you are aware, must be measured in feet rather than inches. Paperwork that must accompany large contracts is to be measured in tons rather than pounds. This stymies competition, especially for small business. In addition, this over regulation has had the effect of converting a number of government contractors into quasi-governmental corporations with a diminished incentive and reduced cost consciousness that a greater competitiveness could avoid.

There is the need then, to stimulate greater competition in this field of military contracting while, at the same time, build-

ing in certain improved financial management and auditing safeguards to assure that reduced regulation does not lead to increased waste and inefficiency.

The effort should be made to eliminate sole-source procurement wherever possible. Certainly, in the R & D area, it would seem most sensible to award contracts to more than one contractor in order to increase alternative choices. Keep in mind, cost analysis is only as good as the alternatives to be measured.

Second-sourcing should also be considered more frequently in production contracts. Far more attention should be given to separating R & D contracting from the production phase, with separate companies receiving the awards and both being held tightly to dollar ceilings. I understand that Department of Defense is contemplating swinging away from "total package procurement"—after the C-5A aircraft performance—and replacing it with "program milestones," which will place greater emphasis on testing prototypes and hardware rather than on paper studies prior to going into mass production. This certainly appears to be a sound move, but will not alone substitute for more basic competitive alternatives.

More attention should be devoted to developing increased competition at the sub-contracting level and to expanding cost analysis of sub-components.

Continued support should be given to Government facilities (especially laboratories), at least in the R & D phase, in order that we may develop greater yardstick measurements of outside development and production and to provide alternatives in the R & D cycle.

### *Grants-in-Aid*

Turning to the domestic sector, the two most valuable moves that could be made would be to reduce in number and rationalize



the management of grant-in-aid programs and to increase pluralism in the administration of such programs. Great praise and thanks must go to the Advisory Commission on Intergovernmental Relations, and especially its Executive Director William Colman, for the hard work and creative energies that have been put into this area of highest priority in Government.

To the greatest extent possible, I believe that we should inaugurate revenue sharing proposals and tax credit programs. The Federal Government cannot manage all programs in the social and economic areas with any hope of success. There is a clear movement today toward local initiative and community control. This swing back toward a more pluralistic society is most refreshing, so long as it is maintained on a high level and does not degenerate into reverse discrimination, radicalism, and nihilistic rebellion. Of course, States and local governments are going to make mistakes. Granted, programs will be started which will not pan out. But, can anyone say that less success, less waste, and less confusion will occur if we merely place the entire burden on the Federal Government sitting in Washington? I believe it is time to return more authority to the local governmental units and see if they can do a better job than we have managed to do in recent years.

Revenue sharing cannot solve all the problems, however, and cannot totally replace grant-in-aid programs. There will continue to be a need for categorical grants to test out new ideas or to take care of particular needs. But, we can do a great deal in this area to rationalize these programs. We can consolidate many categorical grants of a related nature into bloc grants in order to make their administration more flexible and the recipients' area of discretionary management broader. Congress a few years ago enacted two experimental consolidation programs—Partnership in Health, and Juvenile Delinquency. Just last week the House voted to consolidate certain education programs for the same reasons.



Not all programs are suitable for consolidation, however, and much time will be required to consolidate most of those that are fit candidates. To improve their management in the interim, there is presently under consideration in Congress the Joint Funding Simplification Act which is designed, through the lead agency concept, to provide for the joint administration of a number of related categorical programs by one agency under one joint fund.

### *Top Executive Levels*

Up to now, I have talked primarily about what needs to be done within or among the operating agencies of the Government. There can be little hope, however, of great or lasting improvement unless we improve the coordinating and management functions at the top.

The first need is to strengthen greatly the Bureau of the Budget and the General Accounting Office with staff, resources, and authority. This in no way is intended as criticism of either Agency. I have a particular fondness and admiration for the Comptroller General who has sought and succeeded, year after year, to improve the excellence of the GAO and to enhance that Agency's service to the Congress. By the same token, I have the highest regard for the Director and other dedicated career officials of the Bureau of the Budget. The fact is, though, that personnel in both agencies are overworked and spread too thin. We are penny-wise and pound-foolish every time we fail to finance their operations adequately.

In the case of the General Accounting Office, particular effort must be made to enact legislation pending before the Congress at this time, introduced by Congressman Brooks, to give the GAO data processing and information retrieval authority. In addition, adequate funds must be furnished to acquire the necessary ADP equipment and to hire and train staff. There are

4,300 computers in the Executive Branch and, except for the Library of Congress, nothing worthy of the name in the Congress. This is intolerable and must be corrected in order that the Congress can be equipped to deal effectively with the information and technological explosion clearly confronting it.

In the case of the Bureau of the Budget, greater sums of money and manpower must be made available in order for it to meet its responsibilities in the executive management, statistical standards, PPBS, and ADP areas, as well as in budget review and legislative review areas.

Finally, so that you do not believe me unduly biased by seeming to be overly critical of the Executive Branch, let me emphasize that I am fully aware that a good share of the problem in Government management today must be laid at the door of Congress and that I support the need for a thoroughgoing legislative reorganization, which will better equip the Congress to meet its responsibilities for Federal management.

### Personal Involvement

Having sought to spell out certain ideas of a structural nature that may help to improve the organization and management of Government, I must inform you that these are, in my opinion, only second in importance to the behavior, attitude and performance of the personnel in Government. We can seek to develop and improve the most logical and sophisticated organizational structures imaginable, complete with charts, tables, rules, regulations and what have you. Yet they will have little effect on trimming waste and inefficiency or in meeting the true needs of our society, unless two basic corrective actions are taken.

One is to make it clear to Government personnel at all levels that we are all citizens and we are all taxpayers. To the extent

that we tolerate waste and inefficiency and to the extent that we fail to meet priority needs, we and our families are going to be victims—like everyone else—of a society racked by crime, poverty, disease, inflation, high taxes, environmental pollution, etc.

Secondly, all of us and especially those of us in Congress and in the upper reaches of the Executive Branch must come to realize that the programs we have today are those to which we have given our sanction, directly or indirectly. Most of what is appropriated or contracted for has come about because those who have made themselves heard the loudest or who have influenced the electorate and its representatives the most convincingly, have learned to bargain more effectively in the political and social arenas. This is in no way intended as criticism or rebuke. Nor, is it an indication that I disapprove of many of the Government's current spending programs. I am merely stating a fact of life of which you are well aware.

We have large sums of money going to a relatively few defense contractors because those in the defense community have been in a position to bargain more effectively for priority funds up to the present than those in the domestic community. Similarly, we have piled categorical grant-in-aid program upon program because each special interest has managed to bargain more effectively than the general public, even though this at times has reduced efficiency and economy.

No one is evil in such cases. There is no intimation intended here of illegality or conflicts of interest. So long as society is insulated and compartmentalized, with few people caring and fewer involved, it is only a fact of human nature that we are going to have warped priorities and costly management failures.

Our society is changing, however. If it remains rational and reasoned, I believe such change can have a wholesome effect

on Government. More people, especially younger people, are getting involved. And, they are not doing so for what's in it for them. This means that the base of an informed electorate is being expanded and that more pluralistic communities with bargaining power are being formed. Through such means, the forces operating upon the Government will be multiplying—thereby forcing all of us to weigh priorities more and increase our efforts to avoid waste and inefficiency so that adequate resources will be available to meet expanding priorities. It also means that through education, broadened contacts, and expanded horizons, those presently in Government, or those of the younger, involved generation who will enter Government, will be better informed and more responsive to a wider panoply of needs and requirements.

Let me again repeat that this is not intended as criticism of the Federal employee. I include myself at the head of the list of those learning more, and I'm adjusting my sights ever wider each day. Consider if you will whether we could have seriously been considering tax reform even three years ago? Would there have been a fight over the ABM even two years ago? Could we have created a Department of Transportation five years ago?

To conclude, we need to improve greatly the operations of the Federal Government. Waste and inefficiency must be reduced. Money will have to be freed from the defense spending programs for other essential domestic needs. Order out of chaos must be attempted in the grant-in-aid programs through such devices as revenue sharing and consolidated grants. The Bureau of the Budget and the General Accounting Office must be strengthened. These events will not transpire, however, until the human factor in Government assumes a sound pluralistic behavior. When that occurs, the many modern structural tools of Government administration (PPBS, cost analysis, ADP, ac-

cruel accounting, incentive contracting, zero-based budgeting, pre-audit and post-audit evaluations, truth-in-negotiation, etc.) will miraculously begin to work smoothly. Talk of management gaps or management failures will cease. Some would describe this as the millenium—and about as easy of attainment. But let us try—shall we?

## REACTION: Elmer B. Staats

Thank you Mr. Chairman, Congressman Erlenborn. Your chairman has suggested that we ought to differ with the speaker, but I must say that there are parts of this that I am not going to differ with.

This term "gaps" has all kinds of connotations. Congressman Erlenborn said, "The problem is one of excessive programming, over-management from the standpoint of excessively-centralized direction, regulation and organizational structure." Well, when I grew up on a farm in Kansas, we would have said that was having more hay down than you can get up in the loft. We have enacted so many programs and we have built up the Government so fast that the questions are:

—How are we going to digest them?

—How can we manage to perform the functions which both the executive and legislative branches have judged to be important in a way that will maintain the confidence of the American people?

We hear a lot about protest and dissent these days, and Congressman Erlenborn has reiterated that today it is very difficult to fix the blame. I think he used the phrase, "No one is evil in such cases." He didn't go quite as far as that placard of one of the student protestors in the riots in Paris that said, "Mankind will not be saved until the last capitalist has been hung up by the innards of the last bureaucrat."

We are facing a number of problems, as his remarks well point out. Overcentralization is a point well taken. At the General Accounting Office we have recently completed a study of the poverty programs of the Office of Economic Opportunity. This was a year-and-a-half study. I think most of us participating concluded that the Federal Government lacked adequate ma-

chinery to relate its poverty efforts at the State and regional level with the resources available in the private sector. We recommended, therefore, that there be established a coordinator who would represent the President in relating all of these resources at the regional level. I wish Congressman Erlenborn had spelled out his thoughts a little further along these lines. Perhaps he can do so when he has a chance to remark further.

We need to think of economic development and job opportunities in the rural and smaller urban areas. While a great many of our problems today are large city problems, one reason is that we haven't taken the necessary steps to build up jobs and economic opportunity in our rural and smaller communities.

In the area of procurement, Mr. Erlenborn has made some excellent points. One problem is that we in Government have tried to go too far and too fast, perhaps even leapfrogging technology when we should have been taking systems improvement step-by-step. One system depends upon another. If one goes wrong, it means investment and time have been wasted in the others.

I was particularly interested in what Mr. Erlenborn had to say about grants-in-aid. Many interest groups in this country responsible for building up our grants-in-aid also are responsible for making it difficult, if not impossible, to rationalize our grant-in-aid structure. None are willing to give up the hold they have on some particular program. There is something to be said for a categorical approach in the beginning. Many of these programs would never have got underway—we would probably never have had the Morrill Act—if somebody hadn't put on enough pressure to get the programs started. However, we should look at these programs systematically. We at GAO have advocated periodically looking at every grant-in-aid program 3 or 5 years hence to see whether it needs to be continued.



Until there can be some consolidating, however, we should take steps to lessen the burdensome procedures. I'm talking about common application forms, the possibility of centralizing audit responsibilities in a single agency; in short, to cut out the unnecessary costs in paperwork and delays in administering these grants. As commendable as the President's message today is, this is not going to change the situation very fast. The political realities are against that.

We now have, under auspices of the Joint Financial Improvement Program, which is led by the General Accounting Office and the Budget Bureau and the Treasury, a seven-agency project where we are trying to get to the specifics of the problems of the grant-in-aid programs. We want to see if we can find ways of removing some of the administrative problems and difficulties involved. In connection with these, we need to orient people better at both the Federal and State levels on the problems each faces in administering these grant-in-aid programs. We need to have some kind of exchange program between Government and private industry along the lines that this administration and the last one have talked about.

I appreciated all the nice words about the GAO because we are trying to improve our capability to review the management and program effectiveness of agencies, providing more direct assistance to the Congress. We are investing heavily in some of the new management approaches in our training programs and we are making strenuous efforts to recruit the best available students from colleges and universities.

Finally, since now I am an officer of the legislative branch, I hope the Congress will look at the way it reviews the Budget, because I sat on the other end of this problem for a long time. It seems to me that far too little emphasis is being given to the totals of the Budget—its economic impact—in its relation to the balance of payments, its effect on capital investments, and so

forth. All too much emphasis has been given details of little relevance except to individual Members in their own constituencies.

The speaker refers to the possibilities for major changes such as tax reform. I hope he would agree with me that we need a similar reform in the method of budget review.

## REACTION: Dwight A. Ink

In a sense, I wish that Mr. Erlenborn were not a Congressman. I think my difficulty in finding points in which to demonstrate sharp disagreement might have greater credibility. I thought I had a good, strong disagreement with him when he started out, when he said he did not feel there was a management gap—that there was too much management. I started writing notes to meet him head-on in this issue, and then the way he defined it, my issue evaporated. He says there is not a management gap; we are over managed. In that sense, I would agree.

I would certainly endorse his conclusion that whatever the terminology, and whatever the semantics, we have management failure in a number of areas of Government. We also have it in private industry, and many businesses fail every week, often because of poor management or management failure. Government, of course, doesn't go out of business when it has bad management. The programs continue, the needs continue, and all too often poor management continues.

Mr. Erlenborn singled out grant-in-aid programs to illustrate these problems. Mr. Staats also referred to them. In many, I'm afraid, we truly have an administrative quagmire. We have seen developing piecemeal, over the years, narrow categorical grants, each equipped with administrative procedures in the audit field, accounting field, procurement field, and whatever field you can imagine. There has been an accumulation of procedures set up as defense mechanisms because of audit findings, because of Government Accounting Office findings, because of Congressional findings, because of press attacks. Often these findings were valid, but the reaction to them was different in every agency. Each agency responds within the framework of its legislation, within the framework of its history, within the framework of its own people. Consequently, each is different.

And when a State or a community tries to package these programs, they find themselves confronted with an array of procedures, some of which conflict with each other.

Mr. Erlenborn spoke of reams of paperwork in many of these areas. Much of this paperwork is set up to ensure better progress, to ensure better use of funds, to ensure the protection of funds. But as some of our audits have shown—as some of Mr. Staats' audits have shown—we find instances of so much paperwork and red tape that it jeopardizes the ability of both the Federal and the local people to determine the progress of programs and safeguard funds. A good deal of red tape in these programs is self-imposed, partly because it is extremely difficult for any one supervisor to see the total range of effort that goes into a particular program. The administration of a grant-in-aid program for a State or locality often involves a number of different elements within a single department. It may involve other departments. It may involve the Bureau of the Budget; it may involve other elements of the White House; and of course the concern and interest of the congressional committees and the GAO are involved. The individual sees only his part of the overall cycle of administration, and more often than not does not realize the amount of time involved or the total number of steps to which a State or local official may be subjected. A flow sheet showing every step from beginning to end of the administration of a particular grant-in-aid program very often is astounding.

This red tape, this paperwork that Mr. Erlenborn speaks of, is time consuming and costly for Federal, State, and local officials. Furthermore, these narrow categorical grants, I think, have led to a splintering of local governments and a widespread bypassing of mayors and Governors, weakening their ability to manage. The damage that has been done to local government may be greater than we realize. It probably can be adequately

assessed only by the people who come after us and can look at it more objectively. The solution requires both executive and congressional action. I think I would agree with many of Congressman Erlenborn's solutions to these problems. I would certainly agree with the points that Mr. Staats made. It is important to simplifying grant requirements, grant administration, and the grant consolidation efforts which are underway in Congress. The President announced today a new proposal for streamlining field operations in many departments. It has amazed me, the extent to which so many Federal officials believe that we in Washington know more about State and local problems than the Federal people out in the field. Decentralization is "old hat" to those of you who are in Agriculture, to whom it is a way of life, but it is foreign to many of our programs.

I would stress, perhaps more than Mr. Erlenborn did, the importance of bringing into the Government people with management background and experience. I think it is important that we have a cross-fertilization of people with varied experience, particularly those with experience in State and local government.

I would probably stress, more than Mr. Erlenborn has, the steps now underway to deal with these problems, one of which I will single out. The President issued, March 27, a directive for nine agencies to take major steps to decentralize administration of their programs as much as possible. He is talking not only about the Federal organizations in the field, but also about greater reliance on State and local government in administering grant-in-aid programs. He states, "as a part of this program to streamline Federal assistance to the States and communities, every step in each process should be examined with a view toward elimination if at all possible. Those which cannot be eliminated should be simplified in any way possible." That is a pretty tall order.

In conclusion, it seems to me that our basic problem in many of these areas is that there is not enough emphasis on the right kind of management. There is probably too much emphasis in some instances on the wrong kind of management, and in some instances very little emphasis at all on management.







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## A NATIONAL URBANIZATION POLICY

William L. Slayton

A national urbanization policy has two components. The first is the statement of objectives; namely, desirable patterns of economic growth and population settlement. The second is a statement of the mechanisms and programs necessary to produce these desirable patterns.

A national urbanization policy deals at several scales. The largest is the multi-State region—New England for example. The next is the State itself. The third scale is the very large multi-county area—the regions that States are now creating under the prodding of the Budget Bureau's communique A80.

The fourth scale is the large urbanized region or area, frequently crossing State boundaries, such as the Baltimore-Washington area, the Chicago-Milwaukee-Gary area, the San Francisco Bay area. Some of these areas may coincide with the multi-county areas.

The fifth scale is the metropolitan area, including the area that will eventually become urbanized.

A sixth scale is the small community outside a metropolitan area, a community thus with a population under 50,000.

A seventh scale, closely related to the smaller community, is the rural nonfarm community or grouping of very small communities serving primarily an agricultural area.

An eighth scale is the central city of our existing metropolitan areas, cities with severe urban problems, the solution of which is a vital part of a national urbanization policy.

A national urbanization policy must be concerned with the patterns of population settlement and economic growth as it affects all these geographic scales. It must be concerned with not only where people will settle; it must be concerned even more importantly with where people will not settle. Its objective is to seek programs and mechanisms that will result in the creation, as rapidly as possible, of a satisfying and rewarding urban environment for our increasingly urban society.

Before establishing such a policy, one must first know the present state of our urban environment and make some projections on what our urban environment is likely to be if present trends continue.

First, let's take a look at population growth. Predicting future population is a hazardous occupation, but consensus seems to be that we shall have something in the neighborhood of 100 million more Americans by the year 2000. True, there are predictions that the increase will be considerably less. Some even say that the population of the United States will stabilize at around 220 million people. It is now 200 million. But the consensus of population experts is an additional 100 million.

We know also that if present trends continue—and I would say that they probably will continue unless we intervene in some way—that most of this population increase will take place on the periphery of our major urban areas, primarily our metropolitan areas.

At the same time, we can project that the American family, as it moves into middle class and upper middle class status, will demand more space. By and large, there has been no evidence that the American family is changing its desire for a life style

of "mini-farmhouses in mini-pastures," as Max Ways of *Fortune* magazine puts it.

And we can also predict that the concentration of minority families in inner city areas will increase substantially. Even though there is strong evidence that for the country as a whole there has been almost a cessation of net migration of minority families to inner city areas, the magnitude of the present concentration is such that natural increase alone will account for the increased concentration. In addition, there is evidence of the spilling over of these inner city ghettos into suburban ghetto areas. In Washington, D. C., where the population is 70 percent black, there has been a considerable spilling over into Prince Georges County in Maryland, so that it, too, now has a very considerable concentration of minority families.

And there is little evidence that there has been any substantial migration of minority families from inner city areas to the periphery of metropolitan areas, except for the creation of these concentrations of low-income minority families.

Second, let's take a look at our present mechanism for influencing population settlement.

For the most part, the shape of our expanding metropolitan areas, and thus the character of our urban environment, is determined largely by decisions of autonomous public bodies. The location of major transportation routes, both highways and mass transit; the location of major utility lines, water, sewer, power; the location of major terminals, airports and railroad sidings and food distribution centers; the acquisition of land for open space and for recreational purposes; the development of waterways, both in terms of land use and use of the waterway itself for transportation or recreation; the installation of major public facilities, such as State and Federal office buildings; Federal developments such as the National Aeronautics and Space Admin-



istration center in Houston and the Atomic Energy Commission development in Weston, Illinois—these public decisions determine very largely the character and shape of our urbanizing areas. These decisions, however, are made by individual political jurisdictions with no relevancy to an urbanization policy or a development plan.

At the State level, we have not fashioned State public investment activities into a program aimed at achieving a rational plan of development. The State highway program, airports, branches of State universities, State office buildings—these are the kinds of public activities that the State can use in encouraging economic development in specific locations. But first, of course, the State must be organized to make use of its public improvement programs, and it also must have some basis for reaching decisions on where economic development should take place.

And at the national level we have not used Federal installations or major Federal contracts as economic generators for those areas of the country where we have decided, as a matter of policy, that we want economic development to take place. We have, through the Appalachian Program and through the Economic Development Administration, tried to generate economic development in certain areas on the basis of their declining economic state. And so also have we tried to assist communities impacted by the closing down of a military installation in attracting new economic activity.

But these are specialized programs to aid distressed areas—not programs as part of a national strategy to encourage economic development with the objective of producing a better balance of population distribution.

The establishment of a national urbanization policy is, of course, a political operation. It is not a determination left to planners and technicians who make population projections and

then distribute the population in accordance with a pattern they find pleasing. It is a determination that has to be made a matter of public policy. A policy declaration will have no impact on urbanization unless it is coupled with the political will to achieve such a policy.

The adoption of a national urbanization policy assumes a level of decision making comparable to the Government's economic policy and the Government's foreign policy. It is a policy, that when implemented, will have an impact on many Americans, on many institutions—public and private—and on many economic activities. It is a serious statement of objectives coupled with a program to achieve these objectives.

What should be our national urbanization policy? It can be many things. It can be to continue our no-policy policy, allowing urban growth to take place the way it has in the past with only the present kinds of intervention. It can be a policy to intervene very heavily at the Federal level with the Federal Government creating a large new institution to build "X" new cities of "Y" population in "Z" years. It can be a policy of drawing circles on maps and saying to all Federal departments that for all contracts above "X" million dollars you must seek a supplier in one of these areas.

A national urbanization policy could be any of these or an amalgam of all of them, but this is not the kind of approach I feel we should follow. A national urbanization policy should relate to the eight geographic scales I mentioned at the outset; it should have strong State and local government components; and it should above all become an instrument that uses urban growth to create real opportunity of choice for housing and jobs for those now denied such choice because of race or economic condition.

Having stated that a national urbanization policy is a matter for political determination, let me, with some presumption, get



the political debate started by sketching possible elements of a national urbanization policy.

The objectives of a national urbanization policy should be:

1. To create real opportunity of choice in housing and job location for those for whom such choice is now quite restricted; namely, the poor and the minorities.

2. To encourage the limitation of population growth in those metropolitan areas now so inundated with population that they have become unwieldy, difficult in internal movement, and lacking in uncrowded outdoor recreational activities.

3. To encourage the orderly growth of the periphery of metropolitan areas so that natural amenities are not consumed or overly utilized and so that they do not reach a point of population concentration that will result in their becoming unwieldy and unmanageable.

4. To encourage the growth of communities of under 50,000 to cities of say 250,000, so that greater economic opportunity may be afforded the inhabitants, and so that the community may be able to support community institutions and activities now beyond its economic resources.

5. To encourage the creation of new communities, either satellite communities in metropolitan areas to deal with peripheral population growth, or freestanding new communities outside of metropolitan or urbanized areas to siphon off some of the population growth that will gravitate toward existing metropolitan areas.

6. To encourage the growth of rural nonfarm counties, or small urban galaxies of communities, to generate greater economic opportunity for such areas.

7. To provide the large central cities of metropolitan areas with greater financial and legal assistance in rebuilding their

obsolete and worn-out areas and thus create a new vitality at the heart of our metropolitan areas.

8. To encourage the orderly development of our large urban areas (such as the Baltimore-Washington area) so that the pattern of settlement is in discrete areas rather than an amorphous, continuous urban settlement.

These are the objectives. They are not unambitious. What are the programs and mechanisms needed to deal with them? Let me sketch them briefly.

1. The Federal Government should encourage the States to create public development corporations with the power of eminent domain to acquire land, prepare a plan for the development of a new community or the expansion of a smaller community, install the necessary utilities and public improvements, and then lease or sell the land to private developers who would agree to develop in accordance with the plan. The nearest thing we have to such a State institution is the recently created New York State Urban Development Corporation. It has extraordinary powers. It does not have to observe local zoning or building codes, for example. It has the power of eminent domain, and it has State financing.

Here is an instrumentality—a new institution—that can become a positive instrument in shaping economic and population growth within the State in areas where public purpose indicates it would be best for such economic development to occur.

The Federal Government should aid such public corporations with long term direct loans or with loan guarantees. The developments would need no subsidies; they would be self supporting through accretion in land value.

No assistance should be given, however, without the social component of seeing that housing and jobs are available to those on the low rungs of the economic ladder.

2. The States should encourage the creation of metropolitan, governmental organizations that are not large municipal governments, but rather a governmental organization concerned with the physical development and expansion of the metropolitan area and which establishes a development plan for it. Such a metropolitan governmental organization need not—and in fact should not—absorb or eliminate existing political jurisdictions. Its functions should be those that shape the character of physical development. It should have authority over major transportation routes, major transportation terminals, open space, major utility location, development of waterways, and major land uses such as large industrial parks. If a metropolitan governmental organization were given the metropolitan planning function and charged with the creation of a metropolitan development plan, and if such metropolitan governmental organization were given authority over the public functions just enumerated, it would then be able to shape the urban character of the expanding metropolitan area.

Such a metropolitan governmental organization should, it seems to me, be a democratic institution. It should be either elected directly by the citizens within the metropolitan area or by the elected officials of the political jurisdictions within the metropolitan area.

Also, such a metropolitan, governmental organization should, as a political decision, establish some limits to the size of the metropolitan area. For if the metropolitan area is allowed to grow and grow and grow, soon it will engulf those amenities that are essential to good urban living. The size of the metropolitan area should be related to a level of amenities available to the urban dweller, such as the availability of major recreational facilities in terms of time-distance and the ease of movement within the metropolitan area. Technological improvements may make it possible to increase population limits, but natural resources are resources that cannot be replaced.

Our great emphasis on population growth—the desire of every city, it seems, to increase its population—is a shortsighted objective when not related to the resources and amenities available within a geographic area. Growth in terms of increasing the goods and services available to each individual is desirable; growth in terms of population expansion merely because this increases the demand for goods and services within the metropolitan area is a shortsighted economic policy if the consequence is the creation of an urban area unmanageable, unwieldy, and lacking in amenities.

3. The States should fashion their public investment programs so as to produce the desired pattern of human settlement. They should devise governmental mechanisms for preventing indiscriminate population settlement through agricultural zoning, the purchase of development rights, or acquisition of open space. Highway networks, airports, branches of State universities, etc., should be built to support and stimulate such a development pattern.

4. The Federal Government should explore with the States forms of interstate compacts that can deal in a similar fashion with urban regions falling into two or more States.

5. Central cities need to have their powers broadened to acquire land in obsolete use and assemble it for major redevelopment. Cities must be provided with the financing needed for major rejuvenation through such mechanisms as transferring the costs of education and welfare to the States and Federal Government.

These are the major elements of a national urbanization policy and program. It is no mean prescription, but we are dealing with a major issue. We need major programs to deal with it adequately.

We can fashion such a program if we so desire; the tools are not all that complicated. Many are at hand. The question is,

do we wish to exercise our collective judgment and authority to create an environment that will give, not just us, but our children and our children's children the kind of living situation that will enhance rather than detract? We are, after all, building an environment not just for ourselves. We are building an environment for posterity. Our children and our grandchildren will look back with the brilliance of hindsight and judge us by what we did and by what we failed to do. How will the ledger read? What will our children and grandchildren say when they examine the record of our actions or nonactions? Will they say that man collectively, in spite of his knowledge of what would occur, was unable to fashion the political institutions to deal with the known future? Will they say that man collectively was brilliant in his inventive genius in technology, but puny in his political capacity to deal with the known future? Or will our grandchildren look back upon our decisions in the late 60's and early 70's and say that man collectively saw with considerable perception what would happen if no intervention took place and then created the political mechanisms to produce the environment that made it possible for them—our children and grandchildren—to live a life in an urban environment spiritually rewarding, aesthetically pleasant, and socially relevant?

## REACTION: Albert W. Johnson

Last fall I was invited by Urban America, Incorporated, to visit new towns and large scale urban redevelopment areas in Europe to learn something from what they have done about urbanization policies abroad. Those two informative weeks completely changed my thinking on the problems that we face in this country today. Before I made a study of it, I was prone to be a little too conservative in contemplating the projected increase of our population by 100 million.

I am for what has been suggested in the Congress and elsewhere to try to start solving the urbanization problem. I am a reactor and I am supposed to be critical of the speech by Mr. Slayton. Well, I can't say that I am going to be too critical. He was asked to define what our national urban growth policy should be. In doing that, the problem being so vast, he had to endeavor to get just about everything under the tent. The only criticism I might make is that perhaps it was lacking in specifics. You in the audience may say, "We have heard some fine plans and programs and suggestions. How can we put them into effect?" I am going to give you some specifics. I think in this instance we must think big. The problem is engulfing this Nation and it's coming at us like a steamroller coming down a mountain. We have to meet it.

Our speaker said, "One of the ways of solving this is to set up new communities." I spent a lot of time visiting new communities in London and in Europe. These new towns are established miles away from the center city, and they are not what you would expect them to be. They are not just a place to take the problems of the ghetto and the relief load from the city to a new town. A new town is an all-purpose community. First, you plan the new town. You can't spend too much time on planning, even if it takes a couple of years. You know that old adage, "There is no time lost in whetting the scythe."



In the case of the new towns in Europe, planners go into the countryside and find a site of perhaps 3,000 acres—farms and maybe parts of small towns. The first thing they must have is the power of eminent domain. I know that is rather an ugly word and we don't like the power of eminent domain that our municipalities, States, and National Government possess. But that is the only way, if we are to be able to carry out the objectives and meet the needs of the future. We must have the power to go out and say, "Here is 3,000 acres of land. This is where that new town is going to be." And in England, when they decide that is the place for the new town, even if Winston Churchill happened to own a farm there, it was condemned if it fitted into the national urban growth policy necessary to develop that town.

Only the best, employable people were moved into a new town. The maxim, and it should be ours here, is that before you move into a new town you should have industry out there waiting to employ people. A new town is a community of able-bodied, trainable people who have skills and can hold jobs.

How about the center city? Well, I have a program for the center city, too. Yes, we are leaving the unemployable—the poor fellow—back in the center city. In Paris, we saw what they were doing to take care of that problem. You can go into the center city armed with this bill Mr. Slayton mentioned—like this New York State Development Corporation—and you decide there is 25 blocks of ghetto area which is a terrible slum. You condemn those 25 blocks and you plan for 2 years what you are going to do there. Then you take a bulldozer and knock it down and build new houses, mostly for low-income citizens, low-income apartment buildings, new shopping centers, recreation areas. I say you have got to think big; that is the only way to solve this urban problem.

You will notice Mr. Slayton's paper says that development of new towns and an urban growth policy should be carried out by

the State and local governments. Nowhere does he say that the powerful Federal Government should come in and take over. I commend him for this policy.

Now, I have a plan for Washington, D. C. We have about 26 blocks out here where we have had instant urban renewal. I am not in favor of cutting the dog's tail off inch by inch and doing a block at a time. I say Congress should organize a corporation—call it the “Washington Metropolitan Reconstruction Corporation,” give them \$50 million, buy those 26 blocks, organize a local planning commission, and plan for 2 years what we want to do with those 26 blocks. Buy it up with that \$50 million, then tear it down and rebuild it. Build it all in one fell swoop, with a plan. Build a junior college out there, recreation areas, churches, apartments, shopping centers.

President Nixon has said he is going to devote his time to promoting “black capitalism.” It would be a great place to promote that right here in Washington, D. C., by taking that area and in a big way rebuilding it and doing a job we can be proud of. We must approach this problem with the greatest amount of hope and skill and daring because with our population increasing by 100 million people, we must provide for them out in the countryside in the new towns. As the employables move out into these towns, you have to have programs to take care of the problems in the center city.

My parting word to you is that in solving our urban growth problem we must think big, attack it on a big scale. It's going to take a lot of money and it's going to take the support of you, the people of this great Nation.

## REACTION: Thomas Ludlow Ashley

I am not entirely sure what the function of a reactor is, but I reacted very favorably to your speech, Bill. It was absolutely first rate. I think you posed a very pertinent question when you asked what our children and grandchildren will say when they examine the record of our actions and nonactions. I would say there is some evidence that they are already commenting on the extent to which our environment is spiritually rewarding, aesthetically pleasant, and socially (that marvelous word), relevant.

I think Mr. Slayton also does well to point out that the policy we have been pursuing on urbanization in the past has been a no-policy policy. The present mechanism for influencing population settlement at the State, Federal, and local levels—to the extent that it exists—is irrational. There simply is no coordinated decision making in our efforts to meet the population explosion confronting us. To the extent that it does exist, the mechanism is simply the sum total of public and private sector decisions that are reached in the absence of any consideration whatsoever for population and environment. Population and environment don't influence public and private decision making in the United States today. Why is this? What is it about us as a people that finds us in this peculiar dilemma? There is something about the psychology of planning that fascinates me. We seem to take the position that planning is fine in our private lives, that it is permissible in certain areas of Government, but absolutely "no" when it comes to our living environment. "Planning not allowed" has really been our credo. We have considered it permissible to plan a house, but not the community where that house and others like it (deplorably like it) are to exist side by side.

I suppose this is a manifestation of our frontier spirit and the extent to which we are wedded to the free enterprise system.

The frontier spirit of course was the spirit that said, "Man is pre-eminent; Nature comes second." And if you do not believe it, have a look at our rivers, streams, mountains, etc. Our top soil. Our free enterprise system puts a premium on individual initiative, but it is not so fine when the result of private development is urban sprawl and a living environment which in many instances puts us at the verge of insanity. We have density problems in our center cities. If the density in the center cities—in our Harlems and Hubs, and so forth—becomes great enough, the law of physics and other laws can predict the result. When I say sanity is a by-product, it's true. It is estimated that four out of every five permanent residents of Manhattan have some kind of mental illness!

I think that Mr. Slayton does well to pinpoint the objectives of a national urbanization policy. If we test the objectives he sets forth against present policy or present realities, then I can see how derelict we have been and are. He mentions opportunity and choice of housing and jobs. Does anybody really mean to say that we have that among our blacks and among our poor? We most certainly do not.

The second objective that he mentions is to encourage limitation of growth in our center cities where density is already well past the danger point. Are we doing anything about this whatsoever? The answer again is "No, we are not." Absolutely nothing. Quite the contrary, by doing nothing we actually are encouraging not only normal population increase but the immigration to already overcrowded city centers.

Are we encouraging the orderly growth of the periphery of metropolitan areas so that they will remain manageable and pleasant? It would be an overstatement to say that we are doing absolutely nothing in this area, but one would be hard put to come up with specific examples.

Are we rebuilding our central cities? Yes. Model cities. Urban renewal. Unhappily, we authorize the funds for these efforts, but we fail to appropriate them. We are talking a lot and doing nothing. Are we approaching an orderly development of large urban areas? No. As a matter of fact, we don't have any State planning except in five or six States. We don't have State planning; we don't have State zoning; we don't have States acquiring land for open space for future recreation. This mechanism does not exist. Taking these logical essential objectives Mr. Slayton mentions, and measuring them against the realities, we have some idea why youngsters are pointing their fingers at us and asking the questions they are. It is possible to do better.

In the five steps Mr. Slayton enumerated to implement a national urbanization policy to make realities of his objectives, he mentioned public development corporations with power as absolutely essential. We have one State that has gone this route; 49 to go! Creation of metropolitan governmental organizations is really just the beginning. As for State action, for zoning, purchase of development rights, acquisition of open space, and so forth—no. We don't have that yet. Interstate compacts? No. Center city redevelopment?

In Toledo, Ohio, we haven't waited for a national policy because we felt that if we did the explosive situation in our central city would ignite. So the county planned a new community and acted as developer. It purchased about 500 acres of land, put in water and sewerage, and gave the pedestrian an equal shot with the motor vehicle. It got the State law changed to allow the city to leapfrog over a white suburbia and establish a decent education system in the community. It got State law changed to permit the county to acquire, develop, and operate a 1,000-acre industrial park.

The point I am making is that the county has operated this entire project with two people—a man and a gal. It hasn't taken an army. It has taken a good deal of initiative and people working 10 hours a day at it. This man and the girl do not go out and nail together homes, but the builders do build according to the plan that the county has put together and that has won public approval.

I mention this because it is a kind of intrusion into our historic pattern of private development. It is newsworthy. Hitherto the pattern of American life has been determined by the decision making of the private developer—the man who, bless his heart, built suburbia for us. In a small community in Ohio, there is this rather brave effort being made to confront the patterns of the past and say that we are no longer going to behave in this fashion. The fingers of our children are pointed at us already, and we mean to be responsive. I think this essentially is what Bill Slayton had in mind.











